

**TOWN OF WHITMAN, MASSACHUSETTS**

**Annual Financial Statements**

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

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**Additional Offices:**

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Whitman, 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 Whitman, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assess-

ments, 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.

## **Opinion**

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 Whitman, Massachusetts, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

*Melanson Heath*

February 24, 2016

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

As management of the Town of Whitman, we offer readers this narrative overview and analysis of the financial activities of the Town of Whitman for the fiscal year ended June 30, 2015. Unless otherwise noted, all amounts are expressed in thousands.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) Notes to Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include water and sewer activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

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

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

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$42,861,320 (i.e., net position), a change of \$(193,164) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$7,723,374, a change of \$(1,417,621) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,887,940, a change of \$(655,531) in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$15,710,955, a change of \$1,811,937 in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 10,710	\$ 11,646	\$ 13,726	\$ 9,892	\$ 24,436	\$ 21,538
Capital assets	<u>24,713</u>	<u>25,009</u>	<u>30,022</u>	<u>30,736</u>	<u>54,735</u>	<u>55,745</u>
Total assets	35,423	36,655	43,748	40,628	79,171	77,283
Deferred outflows of resources	<u>715</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>745</u>	<u>-</u>
Total assets and deferred outflows of resources	36,138	36,655	43,778	40,628	79,916	77,283
Long-term liabilities outstanding	27,196	12,072	8,062	4,804	35,258	16,876
Other liabilities	<u>947</u>	<u>535</u>	<u>849</u>	<u>1,045</u>	<u>1,796</u>	<u>1,580</u>
Total liabilities	28,143	12,607	8,911	5,849	37,054	18,456
Net position:						
Net investment in capital assets	15,828	15,809	26,065	26,328	41,893	42,137
Restricted	1,799	1,632	-	-	1,799	1,632
Unrestricted	<u>(9,632)</u>	<u>6,607</u>	<u>8,802</u>	<u>8,451</u>	<u>(830)</u>	<u>15,058</u>
Total net position	<u>\$ 7,995</u>	<u>\$ 24,048</u>	<u>\$ 34,867</u>	<u>\$ 34,779</u>	<u>\$ 42,862</u>	<u>\$ 58,827</u>

**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 2,560	\$ 2,490	\$ 4,070	\$ 4,326	\$ 6,630	\$ 6,816
Operating grants and contributions	852	975	-	-	852	975
General revenues:						
Property taxes	20,361	20,091	-	-	20,361	20,091
Excises	1,712	1,742	-	-	1,712	1,742
Penalties and interest on taxes	300	341	-	-	300	341
Grants and contributions not restricted to specific programs	2,331	2,251	100	115	2,431	2,366
Investment income	17	50	37	21	54	71
Other	120	13	124	-	244	13
<b>Total revenues</b>	<b>28,253</b>	<b>27,953</b>	<b>4,331</b>	<b>4,462</b>	<b>32,584</b>	<b>32,415</b>
Expenses:						
General government*	4,829	5,527	-	-	4,829	5,527
Public safety	7,058	6,196	-	-	7,058	6,196
Education	12,582	12,806	-	-	12,582	12,806
Public works	3,300	3,132	-	-	3,300	3,132
Human services	619	612	-	-	619	612
Culture and recreation	603	506	-	-	603	506
Interest on long-term debt	327	344	-	-	327	344
Intergovernmental	277	180	-	-	277	180
Water and sewer	-	-	3,182	3,257	3,182	3,257
<b>Total expenses</b>	<b>29,595</b>	<b>29,303</b>	<b>3,182</b>	<b>3,257</b>	<b>32,777</b>	<b>32,560</b>
Change in net position before Transfers and Special Item	(1,342)	(1,350)	1,149	1,205	(193)	(145)
Transfers in (out)	421	401	(421)	(401)	-	-
Special Item: Payment to City of Brockton	-	-	-	(1,698)	-	(1,698)
Increase(Decrease) in net position	(921)	(949)	728	(894)	(193)	(1,843)
Net position - beginning of year, as restated	8,916	24,997	34,139	35,673	43,055	60,670
Net position - end of year	\$ 7,995	\$ 24,048	\$ 34,867	\$ 34,779	\$ 42,862	\$ 58,827

\*Includes Employee Benefits

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$42,861,320, a change of \$(193,164) from the prior year.

The largest portion of net position, \$41,893,509, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$1,798,701, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of (\$830,890) primarily resulting from the Town's unfunded net pension liability.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(921,006). Key elements of this change are as follows:

Depreciation in excess of debt service expense	\$ (1,216,314)
Change in net pension liability	332,547
Increase in net OPEB obligation	(508,181)
Other	<u>470,942</u>
Total	<u><u>\$ (921,006)</u></u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$727,842. The favorable variance in operations is primarily due to a full fiscal year of the recent rate increase and unspent fiscal year 2015 appropriations that the Town anticipates spending in fiscal 2016. Key elements of this change are as follows:

Enterprise fund operations	\$ 988,990
Other	<u>(261,148)</u>
Total	<u><u>\$ 727,842</u></u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$7,723,374, a change of \$(1,417,621) in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures and transfers out in excess of revenues and transfers in	\$ (959,363)
Capital project fund expenditures in excess of revenues and transfers in	(563,622)
Special revenue fund revenues and transfers in over expenditures and transfers out	106,367
Other	<u>(1,003)</u>
Total	<u>\$ (1,417,621)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,887,940, while total fund balance was \$5,763,246. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance <sup>1</sup>	\$ 2,887,940	\$ 3,543,471	\$ (655,531)	10.2%
Total fund balance <sup>2</sup>	5,763,246	6,722,609	(959,363)	20.3%

<sup>1</sup> Includes General Stabilization fund of \$2,550,603.

<sup>2</sup> Includes General, Capital, and Technology Stabilization funds.

The total fund balance of the general fund changed by \$(959,363) during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (1,662,435)
Raising of prior year deficit (snow and ice)	<u>222,415</u>
Net	(1,440,020)
Revenues in excess of budget	306,048
Expenditures less than budget	35,930
Other	<u>138,679</u>
Total	<u>\$ (959,363)</u>

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

	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>
General stabilization (unassigned)	\$ 2,550,603	\$ 2,549,740	\$ 863
Capital stabilization (committed)	1,751,215	1,812,400	(61,185)
Technology stabilization (committed)	811	90,587	(89,776)
Regional schools capital stabilization (committed)	<u>25,184</u>	<u>25,005</u>	<u>179</u>
Total	<u>\$ 4,327,813</u>	<u>\$ 4,477,732</u>	<u>\$ (149,919)</u>

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

Unrestricted net position of the water-sewer enterprise fund at the end of the year amounted to \$8,801,550, a change of \$350,180 in comparison to the prior year.

The change in net position of the combined water and sewer enterprise fund of \$727,842 represents a planned increase in reserves to help mitigate the anticipated increases in debt service costs. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

## **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$671,135. Major reasons for these amendments include:

- \$ 123,123 to increase various departmental budgets, appropriated for the payment of fire department
- 15,000 expenditures, funded by the Ambulance Fund, appropriated for the purchase of a new fire command
- 45,000 vehicle, funded by the Ambulance Fund, appropriated for the update of the network core switch,
- 90,000 funded by the Technology Stabilization Fund, appropriated to fund new contracts in various
- 145,299 departments, funded by free cash, appropriated for capital improvements at the Regional School District, funded by the Capital Stabilization
- 66,713 Fund, appropriated to fund the installation of an HVAC system
- 150,000 at Town Hall, funded by free cash, appropriated to fund the demolition and remediation at
- 36,000 36 East Avenue, funded by free cash.

The Town also transferred certain appropriations between departments and transfers.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$54,733,819 (net of accumulated depreciation), a change of \$(1,012,307) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, and infrastructure.

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

- Building improvements, including Town Hall and Library
- Repairing and constructing streets and sidewalks
- Annual depreciation expense

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

**Credit rating.** During the fiscal year, the Moody's credit rating of Aa3 did not change.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$15,710,955, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the Notes to the Financial Statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Whitman's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town Manager  
Town of Whitman  
54 South Avenue - P.O. Box 426  
Whitman, MA 02382-0426

TOWN OF WHITMAN, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 6,204,735	\$ 10,855,410	\$ 17,060,145
Investments	2,439,060	-	2,439,060
Receivables, net of allowance for uncollectibles:			
Property taxes	624,208	-	624,208
Excises	153,131	-	153,131
User fees	181,101	1,868,749	2,049,850
Departmental and other	94,733	-	94,733
Intergovernmental	<u>188,892</u>	<u>118,883</u>	<u>307,775</u>
Total current assets	9,885,860	12,843,042	22,728,902
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	824,192	-	824,192
Intergovernmental	-	882,618	882,618
Capital assets not being depreciated	1,869,408	637,006	2,506,414
Capital assets, net of accumulated depreciation	<u>22,842,758</u>	<u>29,384,647</u>	<u>52,227,405</u>
Total noncurrent assets	25,536,358	30,904,271	56,440,629
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>715,157</u>	<u>30,264</u>	<u>745,421</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	36,137,375	43,777,577	79,914,952
<b>LIABILITIES</b>			
Current:			
Warrants payable	676,485	-	676,485
Due to other governments	-	823,769	823,769
Accrued liabilities	172,234	17,326	189,560
Notes payable	10,500	-	10,500
Other current liabilities	87,406	8,028	95,434
Current portion of long-term liabilities:			
Bonds payable	725,873	612,560	1,338,433
Capital leases	<u>114,055</u>	<u>-</u>	<u>114,055</u>
Total current liabilities	1,786,553	1,461,683	3,248,236
Noncurrent:			
Bonds payable, net of current portion	8,028,622	6,343,900	14,372,522
Net pension liability	15,465,440	654,468	16,119,908
Net OPEB obligation	2,846,883	450,783	3,297,666
Capital leases, net of current portion	<u>15,300</u>	<u>-</u>	<u>15,300</u>
Total noncurrent liabilities	<u>26,356,245</u>	<u>7,449,151</u>	<u>33,805,396</u>
<b>TOTAL LIABILITIES</b>	28,142,798	8,910,834	37,053,632
<b>NET POSITION</b>			
Net investment in capital assets	15,828,316	26,065,193	41,893,509
Restricted for:			
Grants and other statutory restrictions	1,458,072	-	1,458,072
Permanent funds:			
Nonexpendable	15,209	-	15,209
Expendable	325,420	-	325,420
Unrestricted	<u>(9,632,440)</u>	<u>8,801,550</u>	<u>(830,890)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 7,994,577</u>	<u>\$ 34,866,743</u>	<u>\$ 42,861,320</u>

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

TOWN OF WHITMAN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 1,564,392	\$ 337,891	\$ 44,437	\$ -	\$ (1,182,064)	\$ -	\$ (1,182,064)
Public safety	7,057,630	891,813	16,993	-	(6,148,824)	-	(6,148,824)
Education	12,582,321	-	78,029	-	(12,504,292)	-	(12,504,292)
Public works	3,299,888	1,232,047	680,897	-	(1,386,944)	-	(1,386,944)
Health and human services	618,458	34,678	18,609	-	(565,171)	-	(565,171)
Culture and recreation	603,017	63,647	13,440	-	(525,930)	-	(525,930)
Employee benefits	3,264,837	-	-	-	(3,264,837)	-	(3,264,837)
Interest	327,093	-	-	-	(327,093)	-	(327,093)
Intergovernmental	277,326	-	-	-	(277,326)	-	(277,326)
Total Governmental Activities	29,594,962	2,560,076	852,405	-	(26,182,481)	-	(26,182,481)
<b>Business-Type Activities:</b>							
Water and sewer services	3,182,459	4,070,117	-	-	-	887,658	887,658
Total Business-Type Activities	3,182,459	4,070,117	-	-	-	887,658	887,658
Total	\$ 32,777,421	\$ 6,630,193	\$ 852,405	\$ -	(26,182,481)	887,658	(25,294,823)
<b>General Revenues and Transfers:</b>							
Property taxes					20,361,173	-	20,361,173
Excises					1,712,352	-	1,712,352
Penalties, interest and other taxes					300,113	-	300,113
Grants and contributions not restricted to specific programs					2,330,605	99,969	2,430,574
Investment income					16,539	36,476	53,015
Miscellaneous					120,144	124,288	244,432
Transfers, net					420,549	(420,549)	-
Total general revenues and transfers					25,261,475	(159,816)	25,101,659
Change in Net Position					(921,006)	727,842	(193,164)
<b>Net Position:</b>							
Beginning of year, as restated					8,915,583	34,138,901	43,054,484
End of year					\$ 7,994,577	\$ 34,866,743	\$ 42,861,320

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

TOWN OF WHITMAN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 4,234,107	\$ 1,970,628	\$ 6,204,735
Investments	2,439,060	-	2,439,060
Receivables:			
Property taxes	1,676,815	-	1,676,815
Excises	283,472	-	283,472
User fees	179,159	-	179,159
Departmental and other	-	181,669	181,669
Intergovernmental	188,892	-	188,892
<b>TOTAL ASSETS</b>	<b>\$ 9,001,505</b>	<b>\$ 2,152,297</b>	<b>\$ 11,153,802</b>
<b>LIABILITIES</b>			
Warrants payable	\$ 676,485	\$ -	\$ 676,485
Accrued liabilities	147,576	-	147,576
Notes payable	-	10,500	10,500
Other liabilities	87,406	-	87,406
<b>TOTAL LIABILITIES</b>	<b>911,467</b>	<b>10,500</b>	<b>921,967</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>2,326,792</b>	<b>181,669</b>	<b>2,508,461</b>
<b>FUND BALANCES</b>			
Nonspendable	-	15,209	15,209
Restricted	-	1,783,492	1,783,492
Committed	2,799,653	169,198	2,968,851
Assigned	75,653	-	75,653
Unassigned	2,887,940	(7,771)	2,880,169
<b>TOTAL FUND BALANCES</b>	<b>5,763,246</b>	<b>1,960,128</b>	<b>7,723,374</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 9,001,505</b>	<b>\$ 2,152,297</b>	<b>\$ 11,153,802</b>

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

TOWN OF WHITMAN, MASSACHUSETTS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET POSITION OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2015

<b>Total governmental fund balances</b>	\$	7,723,374
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> </ul>	24,712,166	
<ul style="list-style-type: none"> <li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li> </ul>	2,064,712	
<ul style="list-style-type: none"> <li>• Deferred outflows of resources related to pensions resulting from changes in proportion will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.</li> </ul>	715,157	
<ul style="list-style-type: none"> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	(24,659)	
<ul style="list-style-type: none"> <li>• Long-term liabilities, including bonds payable, capital lease payable, and other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li> </ul>		
Bonds payable	(8,754,495)	
Net OPEB obligation	(2,846,883)	
Net pension liability	(15,465,440)	
Capital leases	<u>(129,355)</u>	
<b>Net position of governmental activities</b>	\$	<u><u>7,994,577</u></u>

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

TOWN OF WHITMAN, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

	General Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 20,300,009	\$ -	\$ 20,300,009
Excises	1,723,416	-	1,723,416
Penalties, interest, and other taxes	300,113	-	300,113
Charges for services	1,246,523	1,058,431	2,304,954
Intergovernmental	2,450,681	709,325	3,160,006
Licenses and permits	236,727	-	236,727
Investment income	15,624	914	16,538
Miscellaneous	<u>120,144</u>	<u>23,004</u>	<u>143,148</u>
Total Revenues	26,393,237	1,791,674	28,184,911
Expenditures:			
Current:			
General government	1,785,160	191,515	1,976,675
Public safety	6,144,273	584,276	6,728,549
Education	12,662,436	-	12,662,436
Public works	2,309,909	674,326	2,984,235
Health and human services	585,178	28,873	614,051
Culture and recreation	473,181	102,781	575,962
Employee benefits	3,139,265	-	3,139,265
Debt service	1,064,582	-	1,064,582
Intergovernmental	<u>277,326</u>	<u>-</u>	<u>277,326</u>
Total Expenditures	<u>28,441,310</u>	<u>1,581,771</u>	<u>30,023,081</u>
Excess (deficiency) of revenues over expenditures	(2,048,073)	209,903	(1,838,170)
Other Financing Sources (Uses):			
Transfers in	1,239,314	150,604	1,389,918
Transfers out	<u>(150,604)</u>	<u>(818,765)</u>	<u>(969,369)</u>
Total Other Financing Sources (Uses)	<u>1,088,710</u>	<u>(668,161)</u>	<u>420,549</u>
Change in fund balance	(959,363)	(458,258)	(1,417,621)
Fund Equity, at Beginning of Year	<u>6,722,609</u>	<u>2,418,386</u>	<u>9,140,995</u>
Fund Equity, at End of Year	<u>\$ 5,763,246</u>	<u>\$ 1,960,128</u>	<u>\$ 7,723,374</u>

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

TOWN OF WHITMAN, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2015

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ (1,417,621)</b>																
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="text-align: right;">1,654,804</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,952,250)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">68,493</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Repayments of debt</td> <td style="text-align: right;">735,936</td> </tr> </table> </li> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">1,554</td> </tr> </table> </li> <li>• Some expenses reported in the Statement of Activities, such as OPEB liability, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Change in net pension liability and related deferred outflows</td> <td style="text-align: right;">382,610</td> </tr> <tr> <td>Increase in net OPEB obligation</td> <td style="text-align: right;">(508,182)</td> </tr> <tr> <td>Change in capital leases</td> <td style="text-align: right;"><u>113,650</u></td> </tr> </table> </li> </ul>	Capital outlay purchases	1,654,804	Depreciation	(1,952,250)		68,493	Repayments of debt	735,936		1,554	Change in net pension liability and related deferred outflows	382,610	Increase in net OPEB obligation	(508,182)	Change in capital leases	<u>113,650</u>	
Capital outlay purchases	1,654,804																
Depreciation	(1,952,250)																
	68,493																
Repayments of debt	735,936																
	1,554																
Change in net pension liability and related deferred outflows	382,610																
Increase in net OPEB obligation	(508,182)																
Change in capital leases	<u>113,650</u>																
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>(921,006)</u></b>																

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

TOWN OF WHITMAN, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2015

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u> )	Variance with Final Budget Positive <u>(Negative)</u>
<b>Revenues:</b>				
Property taxes	\$ 20,388,795	\$ 20,388,795	\$ 20,388,795	\$ -
Excise taxes	1,661,400	1,661,400	1,723,416	62,016
Interest, penalties, and other taxes	189,300	189,300	300,113	110,813
Licenses and permits	243,000	243,000	236,727	(6,273)
Intergovernmental	2,445,429	2,445,429	2,450,681	5,252
Charges for services	1,233,500	1,233,500	1,246,523	13,023
Investment income	6,000	6,000	8,829	2,829
Other revenues	-	-	118,388	118,388
Total Revenues	<u>26,167,424</u>	<u>26,167,424</u>	<u>26,473,472</u>	<u>306,048</u>
<b>Expenditures:</b>				
General government	1,898,266	2,054,452	1,920,685	133,767
Public safety	6,028,887	6,224,088	6,138,156	85,932
Education	12,665,351	12,732,064	12,682,936	49,128
Public works	2,017,970	2,063,295	2,325,534	(262,239)
Health and human services	574,806	606,076	584,649	21,427
Culture and recreation	440,678	456,426	437,001	19,425
Debt service	1,064,916	1,064,916	1,064,582	334
Intergovernmental	182,068	182,068	277,326	(95,258)
Employee benefits	3,211,987	3,222,679	3,139,265	83,414
Total Expenditures	<u>28,084,929</u>	<u>28,606,064</u>	<u>28,570,134</u>	<u>35,930</u>
Excess of revenues over expenditures	(1,917,505)	(2,438,640)	(2,096,662)	341,978
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,171,907	1,388,620	1,396,027	7,407
Transfers out	(240,000)	(390,000)	(390,604)	(604)
Other sources (free cash)	1,208,013	1,662,435	-	(1,662,435)
Other uses (snow and ice deficit)	<u>(222,415)</u>	<u>(222,415)</u>	<u>-</u>	<u>222,415</u>
Excess of expenditures and other uses over revenues and other sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,091,239)</u>	<u>\$ (1,091,239)</u>

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

TOWN OF WHITMAN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities <u>Water-Sewer Enterprise Fund</u>
<b><u>ASSETS</u></b>	
Current:	
Cash and short-term investments	\$ 10,855,410
User fees, net of allowance for uncollectibles	1,868,749
Intergovernmental receivables	<u>118,883</u>
Total current assets	12,843,042
Noncurrent:	
Intergovernmental receivables	882,618
Capital assets not being depreciated	637,006
Capital assets, net of accumulated depreciation	<u>29,384,647</u>
Total noncurrent assets	30,904,271
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>30,264</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>43,777,577</b>
<b><u>LIABILITIES</u></b>	
Current:	
Due to other governments	823,769
Accrued liabilities	17,326
Other current liabilities	8,028
Current portion of long-term liabilities: Bonds payable	<u>612,560</u>
Total current liabilities	1,461,683
Noncurrent:	
Bonds payable, net of current portion	6,343,900
Net pension liability	654,468
Net OPEB obligation	<u>450,783</u>
Total noncurrent liabilities	7,449,151
<b>TOTAL LIABILITIES</b>	<b>8,910,834</b>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	26,065,193
Unrestricted	<u>8,801,550</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u><u>34,866,743</u></u></b>

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

TOWN OF WHITMAN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities <u>Water-Sewer Enterprise Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 4,070,117
Total Operating Revenues	<u>4,070,117</u>
<b>Operating Expenses:</b>	
Personnel	598,280
Non personnel	1,373,192
Depreciation	946,760
Capital outlay	<u>162,895</u>
Total Operating Expenses	<u>3,081,127</u>
Operating Income	988,990
<b>Nonoperating Revenues (Expenses):</b>	
Intergovernmental revenue	99,969
Miscellaneous revenue	124,288
Investment income	36,476
Interest expense	<u>(101,332)</u>
Total Nonoperating Revenues (Expenses), Net	<u>159,401</u>
Income Before Transfers	1,148,391
Transfers out	<u>(420,549)</u>
Change in Net Position	727,842
Net Position at Beginning of Year, as restated	<u>34,138,901</u>
Net Position at End of Year	<u>\$ 34,866,743</u>

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

TOWN OF WHITMAN, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type <u>Activities</u> Water-Sewer Enterprise <u>Fund</u>
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts from customers and users	\$ 4,007,191
Payments to vendors	(1,353,038)
Payments to employees	<u>(559,576)</u>
Net Cash Provided By Operating Activities	2,094,577
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>	
Intergovernmental revenues	99,969
Transfer out	<u>(420,549)</u>
Net Cash Provided by (used for) Noncapital Financing Activities	(320,580)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Principal payments on bonds and notes	(651,927)
Bond premium	124,288
Acquisition and construction of capital assets	(231,900)
Bond proceeds	3,000,000
Interest expense	<u>(165,994)</u>
Net Cash (Used For) Capital and Related Financing Activities	2,074,467
<b><u>Cash Flows From Investing Activities:</u></b>	
Investment income	<u>36,482</u>
Net Cash Provided by Investing Activities	<u>36,482</u>
Net Change in Cash and Short-Term Investments	3,884,946
Cash and Short-Term Investments, Beginning of Year	<u>6,970,464</u>
Cash and Short-Term Investments, End of Year	<u>\$ 10,855,410</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>	
Operating income	\$ 988,990
Adjustments to reconcile operating income(loss) to net cash provided by (used for) operating activities:	
Depreciation	946,760
Changes in assets and liabilities:	
User fees	(62,926)
Other assets	114,211
Accounts payable	69,838
Other liabilities	(1,010)
Net pension liability	(16,186)
Net OPEB obligation	<u>54,900</u>
Net Cash Provided By Operating Activities	<u>\$ 2,094,577</u>

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

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

	<u>Other Post- Employment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b><u>ASSETS</u></b>			
Cash and short-term investments	\$ 16,068	\$ 208,336	\$ 393,397
Investments	<u>-</u>	<u>158,477</u>	<u>-</u>
Total assets	16,068	366,813	393,397
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Other liabilities	<u>-</u>	<u>-</u>	<u>393,397</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>393,397</u>
<b><u>NET POSITION</u></b>			
Net position	<u>\$ 16,068</u>	<u>\$ 366,813</u>	<u>\$ -</u>

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

TOWN OF WHITMAN, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Other Post- Employment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>		
Contributions	\$ 5,000	\$ -
Investment income	<u>34</u>	<u>8,874</u>
Total additions	5,034	8,874
<b>Deductions:</b>		
Other	<u>-</u>	<u>3,744</u>
Total deductions	<u>-</u>	<u>3,744</u>
Net	5,034	5,130
<b>Net position:</b>		
Beginning of year	<u>11,034</u>	<u>361,683</u>
End of year	<u>\$ 16,068</u>	<u>\$ 366,813</u>

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

# TOWN OF WHITMAN, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Whitman (the "Town") conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2015, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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

##### Government-wide Financial Statements

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

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

##### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

#### Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental fund:

- The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and

services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary fund:

- The *Enterprise fund* is used to account for the operation of Town wells and the Town Water System, as well as the operation of Town sewer lines and treatment plants.

The *post-employment insurance liability trust fund* is used to account for funds to offset the anticipated cost of premium payments for or direct payments to be made to retired employees of the Town, and to any eligible surviving spouse of or dependents of deceased employees of the Town.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund

investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

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

*F. Property Tax Limitations*

The Town has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2015 tax levy reflected an excess capacity of \$497,544.

*G. Inventories*

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

*H. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Machinery, equipment and furnishings	5

*I. Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

*J. Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet

paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.

- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position - Net position represents the difference between assets and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

#### K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## 2. Stewardship, Compliance, and Accountability

### A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for

the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

*B. Budgetary Basis*

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

*C. Budget/GAAP Reconciliation*

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 26,393,237	\$ 28,441,310
Other financing sources/uses (GAAP Basis)	<u>1,239,314</u>	<u>150,604</u>
Subtotal (GAAP Basis)	27,632,551	28,591,914
Adjust tax revenue to accrual basis	88,786	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(105,076)
Add end-of-year appropriation carryforwards from expenditures	-	233,900
To reverse nonbudgeted activity	<u>148,162</u>	<u>240,000</u>
Budgetary Basis	<u>\$ 27,869,499</u>	<u>\$ 28,960,738</u>

### 3. Cash and Short-Term Investments

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

As of June 30, 2015, \$358,161 of the Town's bank balance of \$17,754,295 was exposed to custodial credit risk as uninsured or uncollateralized. However, \$9,059 of the exposed balance was on deposit with Massachusetts Municipal Depository Trust (MMDT).

### 4. Investments

#### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town (all federal agency securities have an implied credit rating of AAA):

<u>Investment Type</u>	Fair Value	Exempt From Disclosure	<u>Rating as of Year-end</u>			
			<u>Aaa</u>	<u>A1</u>	<u>A2</u>	<u>Baa1</u>
Federal equities	\$ 4	\$ 4	\$ -	\$ -	\$ -	\$ -
Corporate equities	158	158	-	-	-	-
U.S. Treasury notes	1,059	-	1,059	-	-	-
Certificates of deposits	777	777	-	-	-	-
Corporate bonds	352	-	-	66	110	176
Mutual funds	247	247	-	-	-	-
Total investments	<u>\$ 2,597</u>	<u>\$ 1,186</u>	<u>\$ 1,059</u>	<u>\$ 66</u>	<u>\$ 110</u>	<u>\$ 176</u>

#### B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Of the Town's investment of \$2,597,537, the government has a custodial credit risk exposure of \$1,820,683 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

*C. Concentration of Credit Risk*

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows (in thousands):

<u>Investment Issuer</u>	<u>Amount</u>
Ally Bank Midvale Utah CD	\$ 140
State Bank India New York	160
Federal Home Loan MTG Corp	699
First Bank PR Santurce	176
United States Treasury Note	<u>361</u>
Total	<u>\$ 1,536</u>

*D. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy states the Town will manage interest rate risk by managing duration in the account.

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

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
Debt-related Securities:			
U.S. Treasury notes	\$ 1,059	\$ -	\$ 1,059
Certificates of deposit	777	601	176
Corporate bonds	<u>352</u>	<u>-</u>	<u>352</u>
Total	<u>\$ 2,188</u>	<u>\$ 601</u>	<u>\$ 1,587</u>

*E. Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy for foreign currency risk states the Town will not invest in any investment exposed to foreign currency risk.

**5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to. Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

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

Real Estate			
2015	\$	541	
2014		142	
Prior		<u>31</u>	
			\$ 714
Personal Property			
2015		4	
2014		3	
Prior		<u>19</u>	
			26
Tax Liens			916
Deferrals			<u>21</u>
Total	\$		<u><u>1,677</u></u>

## 6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 228	\$ -
Excises	\$ 108	\$ -
Departmental	\$ 87	\$ -
User fees	\$ 21	\$ 105

## 7. Intergovernmental Receivables

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

## 8. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 18,206	\$ 843	\$ -	\$ 19,049
Machinery, equipment, furnishings, and vehicles	6,483	191	(241)	6,433
Infrastructure	<u>34,903</u>	<u>621</u>	<u>-</u>	<u>35,524</u>
Total capital assets, being depreciated	59,592	1,655	(241)	61,006
Less accumulated depreciation for:				
Buildings and improvements	(7,330)	(816)	-	(8,146)
Machinery, equipment, furnishings, and vehicles	(4,963)	(293)	241	(5,015)
Infrastructure	<u>(24,158)</u>	<u>(844)</u>	<u>-</u>	<u>(25,002)</u>
Total accumulated depreciation	<u>(36,451)</u>	<u>(1,953)</u>	<u>241</u>	<u>(38,163)</u>
Total capital assets, being depreciated, net	23,141	(298)	-	22,843
Capital assets, not being depreciated:				
Land	1,754	-	-	1,754
Art and historical treasure	<u>115</u>	<u>-</u>	<u>-</u>	<u>115</u>
Total capital assets, not being depreciated	<u>1,869</u>	<u>-</u>	<u>-</u>	<u>1,869</u>
Governmental activities capital assets, net	<u>\$ 25,010</u>	<u>\$ (298)</u>	<u>\$ -</u>	<u>\$ 24,712</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,974	\$ 73	\$ -	\$ 5,047
Machinery, equipment, furnishings, and vehicles	770	-	-	770
Infrastructure	<u>45,275</u>	<u>159</u>	<u>-</u>	<u>45,434</u>
Total capital assets, being depreciated	51,019	232	-	51,251
Less accumulated depreciation for:				
Buildings and improvements	(2,707)	(127)	-	(2,834)
Machinery, equipment, furnishings, and vehicles	(665)	(16)	-	(681)
Infrastructure	<u>(17,547)</u>	<u>(804)</u>	<u>-</u>	<u>(18,351)</u>
Total accumulated depreciation	<u>(20,919)</u>	<u>(947)</u>	<u>-</u>	<u>(21,866)</u>
Total capital assets, being depreciated, net	30,100	(715)	-	29,385
Capital assets, not being depreciated:				
Land	<u>637</u>	<u>-</u>	<u>-</u>	<u>637</u>
Total capital assets, not being depreciated	<u>637</u>	<u>-</u>	<u>-</u>	<u>637</u>
Business-type activities capital assets, net	<u>\$ 30,737</u>	<u>\$ (715)</u>	<u>\$ -</u>	<u>\$ 30,022</u>

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

Governmental Activities:	
General government	\$ 337
Public safety	634
Education	14
Public works	937
Culture and recreation	27
Health and human services	<u>4</u>
Total depreciation expense - governmental activities	<u>\$ 1,953</u>
Business-Type Activities	<u>\$ 947</u>

## 9. Deferred Outflows of Resources

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

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

	Entity-wide Basis		Fund Basis
	Governmental Activities	Business-type Activities	Proprietary Fund Water/Sewer
Pension investment results	\$ <u>715,157</u>	\$ <u>30,264</u>	\$ <u>30,264</u>

**10. Warrants Payable**

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

**11. Anticipation Notes Payable**

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

	Interest Rate	Date of Issue	Date of Maturity Upon Construction Completion	Balance End of Year
State Revolving Loan (MWPAT)	0.00%	6/28/13		\$ <u>10,500</u>
Total				\$ <u>10,500</u>

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

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
State Revolving Loan (MWPAT)	\$ 8,500	\$ 2,000	\$ -	\$ 10,500
Water Mains (State House Loan)	<u>199,800</u>	<u>-</u>	<u>(199,800)</u>	<u>-</u>
Total	\$ <u>208,300</u>	\$ <u>2,000</u>	\$ <u>(199,800)</u>	\$ <u>10,500</u>

**12. Capital Lease Obligations**

The Town is the lessee of certain equipment under capital leases expiring in various years through 2017. Future minimum lease payments under capital leases consisted of the following as of June 30, 2015:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2016	\$ 117,838
2017	<u>15,834</u>
Total minimum lease payments	133,672
Less amounts representing interest	<u>(4,317)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 129,355</u></u>

### 13. Long-Term Debt

#### A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/15</u>
MWPAT and DW	08/01/19	4.10 - 5.75%	\$ 19,070
MWPAT and DW	08/01/24	5.00 - 5.25%	20,425
General obligation - police, fire, town hall	06/01/30	3.00 - 5.00%	7,880,000
General obligation - refunding bond	12/15/19	1.00 - 1.50%	<u>835,000</u>
Total Governmental Activities:			<u><u>\$ 8,754,495</u></u>
<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/15</u>
MWPAT and DW - water	08/01/22	3.00 - 5.25%	\$ 2,537,882
MWPAT and DW - water	06/30/21	4.50 - 5.50%	760,000
General obligation - water refunding	12/15/19	1.00 - 1.50%	215,000
General obligation - water	05/15/35	2.00 - 5.00%	3,000,000
MWPAT CWS - 0819 series 15	07/15/30	2.00%	211,660
MWPAT CWS - 0819 series 16	07/15/30	2.00%	<u>231,918</u>
Total Business-Type Activities:			<u><u>\$ 6,956,460</u></u>

**B. Future Debt Service**

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 725,873	\$ 311,986	\$ 1,037,859
2017	710,873	288,358	999,231
2018	695,873	265,077	960,950
2019	690,873	241,723	932,596
2020	670,873	213,025	883,898
2021 - 2025	2,635,130	808,442	3,443,572
2026 - 2030	<u>2,625,000</u>	<u>315,000</u>	<u>2,940,000</u>
Total	\$ <u>8,754,495</u>	\$ <u>2,443,611</u>	\$ <u>11,198,106</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 612,560	\$ 251,587	\$ 864,147
2017	627,979	224,794	852,773
2018	648,382	200,340	848,722
2019	658,819	180,916	839,735
2020	674,265	138,924	813,189
2021 - 2025	2,051,879	414,972	2,466,851
2026 - 2030	900,660	228,341	1,129,001
2031 - 2035	<u>781,916</u>	<u>90,319</u>	<u>872,235</u>
Total	\$ <u>6,956,460</u>	\$ <u>1,730,193</u>	\$ <u>8,686,653</u>

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

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

	Total Balance 7/1/14	Additions	Reductions	Total Balance 6/30/15	Less Current Portion	Equals Long-Term Portion 6/30/15
<u>Governmental Activities</u>						
Bonds payable	\$ 9,490	\$ -	\$ (736)	\$ 8,754	\$ (726)	\$ 8,028
Net pension liability	15,133	332	-	15,465	-	15,465
Net OPEB obligation	2,339	1,199	(691)	2,847	-	2,847
Capital leases	<u>243</u>	<u>46</u>	<u>(160)</u>	<u>129</u>	<u>(114)</u>	<u>15</u>
Totals	\$ <u>27,205</u>	\$ <u>1,577</u>	\$ <u>(1,587)</u>	\$ <u>27,195</u>	\$ <u>(840)</u>	\$ <u>26,355</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 4,409	\$ 3,000	\$ (452)	\$ 6,957	\$ (613)	\$ 6,344
Net pension liability	640	14	-	654	-	654
Net OPEB obligation	<u>396</u>	<u>101</u>	<u>(46)</u>	<u>451</u>	<u>-</u>	<u>451</u>
Totals	\$ <u>5,445</u>	\$ <u>3,115</u>	\$ <u>(498)</u>	\$ <u>8,062</u>	\$ <u>(613)</u>	\$ <u>7,449</u>

**14. Deferred Inflows of Resources**

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

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

	<u>Fund Basis</u>	
	<u>Governmental Funds</u>	
	<u>General Fund</u>	<u>Nonmajor</u>
Unavailable revenues	\$ <u>2,326,792</u>	\$ <u>181,669</u>

**15. Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

**16. Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

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

The following types of fund balances are reported at June 30, 2015:

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, Stabilization and other reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. This fund balance classification also includes the use of free cash to cover projected budgetary shortfall in the subsequent period. The Town follows an informal policy that permits management to assign fund balance amounts to a specific purpose, although fund balance to be applied against a subsequent year's budget is voted by Town Meeting.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2015:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 15,209	\$ 15,209
Total Nonexpendable	-	15,209	15,209
Restricted			
Federal grants	-	3,480	3,480
State grants	-	48,350	48,350
Receipts reserved	-	265,793	265,793
Ambulance service	-	925,518	925,518
Revolving funds	-	170,584	170,584
Other special revenue funds	-	44,347	44,347
Expendable permanent funds	-	325,420	325,420
Total Restricted	-	1,783,492	1,783,492
Committed			
Town Hall Air Conditioning	-	19,198	19,198
Town Hall HVAC System	-	150,000	150,000
Capital	1,751,215	-	1,751,215
Debt service	630,762	-	630,762
Technology	811	-	811
Regional schools	25,184	-	25,184
Articles	391,681	-	391,681
Total Committed	2,799,653	169,198	2,968,851
Assigned			
Town Encumbrances	19,153	-	19,153
Equipment	56,500	-	56,500
Total Assigned	75,653	-	75,653
Unassigned <sup>1</sup>	2,887,940	(7,771)	2,880,169
Total Fund Balance	\$ 5,763,246	\$ 1,960,128	\$ 7,723,374

<sup>1</sup> Includes general stabilization of \$2,550,603

## 17. Interfund Fund Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund transfers must be utilized.

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial state-

ments. The following is an analysis of interfund transfers made in fiscal year 2015:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,239,314	\$ 150,604
Nonmajor Funds:		
Special Revenue Funds:		
Revolving Funds	-	7,406
Ambulance Service	-	732,544
Debt Service Reserve	100,000	100,000
Receipts Reserved	604	78,815
Capital Project Funds:		
Town Hall HVAC System	<u>150,000</u>	<u>-</u>
Subtotal Nonmajor Funds <sup>(1)</sup>	250,604	918,765
<u>Business-Type Funds:</u>		
Water/Sewer Fund	<u>-</u>	<u>420,549</u>
Grand Total	<u>\$ 1,489,918</u>	<u>\$ 1,489,918</u>

<sup>(1)</sup> Transfers in and out were netted on page 15 to eliminate activity within nonmajor governmental funds

The Business-type transfers out represent indirect costs based on an allocation of administrative costs and employee benefits. Transfers out from the Ambulance Service Fund to the General Fund of \$632,544 are used to fund fire salaries, leases, and other various public safety expenses in the General Fund. The Ambulance Service Fund generates approximately \$800,000 in revenues annually.

The other transfers are used to either move revenues from the fund that statute or budget requires the Town to collect to the fund that statute or budget requires the Town to expend, or use unrestricted revenues collected in the General Fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

## **18. Commitments and Contingencies**

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

Abatements – There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town’s counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

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

## 19. **Post-Employment Healthcare and Life Insurance Benefits**

### **Other Post-Employment Benefits**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

#### A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town’s plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2014, the actuarial valuation date, approximately 131 retirees and 100 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

#### B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

*C. Funding Policy*

Retirees contribute 25% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

*D. Annual OPEB Costs and Net OPEB Obligation*

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

Annual Required Contribution (ARC)	\$ 1,120,293
Interest on net OPEB obligation	109,582
Adjustment to ARC	<u>(82,803)</u>
Annual OPEB cost	1,147,072
Contributions made	<u>(583,991)</u>
Increase in net OPEB obligation	563,081
Net OPEB obligation - beginning of year	<u>2,734,584</u>
Net OPEB obligation - end of year	<u><u>\$ 3,297,665</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 1,147,072	51%	\$ 3,297,665
2014	\$ 1,140,538	57%	\$ 2,734,584
2013	\$ 1,099,086	60%	\$ 2,248,179
2012	\$ 1,101,696	65%	\$ 1,809,807
2011	\$ 1,051,780	67%	\$ 1,427,698
2010	\$ 1,113,081	56%	\$ 1,084,137
2009	\$ 1,177,566	50%	\$ 592,583

*E. Funded Status and Funding Progress*

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

Actuarial accrued liability (AAL)	\$ 13,332,573
Actuarial value of plan assets	<u>(11,034)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 13,321,539</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.1%</u>
Covered payroll (active plan members)	<u>\$ 7,344,900</u>
UAAL as a percentage of covered payroll	<u>181.4%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

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

In the July 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined, as the Town has not advanced funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 5.5% which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.0%.

## 20. Retirement System

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

### A. Plan Description

Substantially all employees of the Town are members of the Plymouth County Contributory Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publically available from the System located at 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

### B. Benefits Provided

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

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a

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

C. Contributions

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

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

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

The Town's contribution to the System for the year ended June 30, 2015 was \$1,599,987, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At June 30, 2015, the Town reported a liability of \$16,119,908 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, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the Town's proportion was 2.8436 percent.

For the year ended June 30, 2015, the Town recognized pension expense of \$1,599,987. Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net asset (gain)/loss	\$ 745,421

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

Year ended June 30:	
2016	\$ 186,356
2017	186,355
2018	186,355
2019	<u>186,355</u>
Total	<u>\$ 745,421</u>

Actuarial assumptions: The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00% per year
Salary increases	3.75% per year
Investment rate of return	8.00% per year

Mortality rates were based on the RP-2000 Mortality Table for males and females, adjusted to 2015 with Scale AA. Mortality for disabled members is represented by the RP-2000 Mortality Table set forward two years for all disabled members.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2014 through December 31, 2014.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	33.0%	10.2%
Foreign equity	16.0%	11.0%
Total fixed income	25.5%	7.9%
Real estate/real assets	13.0%	9.3%
Private equity	7.5%	14.6%
Hedge funds of funds	4.0%	8.7%
Cash	1.0%	4.0%
Total	<u>100.0%</u>	<u>65.7%</u>

Discount Rate: The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is

one percentage-point lower (7%) or one percentage-point higher (9%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
June 30, 2015	\$ 20,315,603	\$ 16,119,908	\$ 12,540,656

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

## 21. Beginning Net Position Restatement

The Town's beginning net position for fiscal year 2015 has been restated from the previous fiscal year to conform to GASB Statement 68. Fiscal year 2014 and prior periods have not been restated due to impractical nature of allocating annual activity and lack of information for measurement dates June 30, 2012 and prior; as this is a new standard and beginning net position restatement does not recognize beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions per GASB 71. Accordingly, the following reconciliation is provided:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
As previously reported	\$ 24,048,476	\$ 34,779,296
Implementation of GASB 68	<u>(15,132,893)</u>	<u>(640,395)</u>
As restated	<u>\$ 8,915,583</u>	<u>\$ 34,138,901</u>

Fund Basis Financial Statements:

	<u>Water/Sewer Fund</u>
As previously reported	\$ 34,779,296
Implementation of GASB 68	<u>(640,395)</u>
As restated	<u>\$ 34,138,901</u>

## 22. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

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

**June 30, 2015  
(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
07/01/14	\$ 11,034	\$ 13,332,573	\$ 13,321,539	0.1%	\$ 7,344,900	181.4%
07/01/12	\$ 6,012	\$ 13,188,747	\$ 13,182,735	0.0%	\$ 7,138,308	184.7%
07/01/10	\$ -	\$ 12,996,490	\$ 12,996,490	0.0%	\$ 6,317,856	205.7%
07/01/08	\$ -	\$ 13,690,122	\$ 13,690,122	0.0%	\$ 4,921,115	278.2%

See Independent Auditors' Report.

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

<u>Plymouth County Contributory Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	2.8436%
Proportionate share of the net pension liability for the most recent measurement date	\$ 16,119,908
Covered-employee payroll for the most recent measurement date	\$ 7,015,266
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	230%
Plan fiduciary net position as a percentage of the total pension liability	58.9%

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

See Independent Auditors' Report.

TOWN OF WHITMAN, MASSACHUSETTS

SCHEDULE OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015  
(Unaudited)

<u>Plymouth County Contributory Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 1,599,987
Contributions in relation to the contractually required contribution	<u>(1,599,987)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current fiscal year	\$ 7,015,266
Contributions as a percentage of covered-employee payroll	23%

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

See Independent Auditors' Report.