

**TOWN OF TOWNSEND, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2016**

# TOWN OF TOWNSEND, MASSACHUSETTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Townsend, Massachusetts

**Additional Offices:**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Townsend, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Townsend, Massachusetts as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

*Melanson Heath*

October 24, 2017

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

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

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

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

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

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

The Statement of Activities presents information showing how the Town's net 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, sanitation, health and human services, and culture and recreation. The business-type activities include water operations.

**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 Town'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 fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the Town, or to other governments, on a cost-reimbursement basis. The Town uses one enterprise fund to account for water operations, which is considered to be a major fund. The Town does not report internal service funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. 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 and deferred outflows exceeded liabilities by \$31,473,229 (i.e., net position), a change of \$422,090 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$4,568,153, a change of \$296,251 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,232,356, a change of \$(221,531) in comparison to the prior year.
- Total long-term debt at the close of the current fiscal year was \$2,855,540, a change of \$(520,819) 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 (in thousands):

	<b><u>NET POSITION</u></b>					
	<b><u>Governmental Activities</u></b>		<b><u>Business-Type Activities</u></b>		<b><u>Total</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Assets</b>						
Current and other assets	\$ 7,260	\$ 6,998	\$ 2,082	\$ 1,821	\$ 9,342	\$ 8,819
Capital assets	<u>29,703</u>	<u>30,063</u>	<u>3,856</u>	<u>3,975</u>	<u>33,559</u>	<u>34,038</u>
Total Assets	36,963	37,061	5,938	5,796	42,901	42,857
<b>Deferred outflows of resources</b>						
Related to pensions	<u>571</u>	<u>21</u>	<u>44</u>	<u>2</u>	<u>615</u>	<u>23</u>
Total assets and deferred outflows of resources	37,534	37,082	5,982	5,798	43,516	42,880
<b>Liabilities</b>						
Long-term liabilities	9,142	8,698	1,613	1,825	10,755	10,523
Other liabilities	<u>1,235</u>	<u>1,269</u>	<u>53</u>	<u>37</u>	<u>1,288</u>	<u>1,306</u>
Total liabilities	10,377	9,967	1,666	1,862	12,043	11,829
<b>Net position</b>						
Net investment in capital assets	27,263	27,448	2,849	2,875	30,112	30,323
Restricted	2,009	1,756	-	-	2,009	1,756
Unrestricted	<u>(2,115)</u>	<u>(2,089)</u>	<u>1,467</u>	<u>1,061</u>	<u>(648)</u>	<u>(1,028)</u>
Total net position	<u>\$ 27,157</u>	<u>\$ 27,115</u>	<u>\$ 4,316</u>	<u>\$ 3,936</u>	<u>\$ 31,473</u>	<u>\$ 31,051</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$31,473,229, a change of \$422,090 from the prior year.

The largest portion of net position, \$30,111,505, 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, \$2,009,331, 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 \$(647,607), primarily resulting from the Town's net pension liability.

**CHANGES IN NET POSITION**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,209	\$ 1,066	\$ 1,073	\$ 1,053	\$ 2,282	\$ 2,119
Operating grants and contributions	211	165	-	-	211	165
Capital grants and contributions	739	350	-	-	739	350
General revenues:						
Property taxes	15,374	14,858	-	-	15,374	14,858
Excises	1,223	1,243	-	-	1,223	1,243
Penalties and interest on taxes	361	289	-	-	361	289
Grants and contributions not restricted to specific programs	1,430	1,389	-	-	1,430	1,389
Investment income	50	46	3	-	53	46
Other	15	39	-	-	15	39
Total revenues	<u>20,612</u>	<u>19,445</u>	<u>1,076</u>	<u>1,053</u>	<u>21,688</u>	<u>20,498</u>
Expenses:						
General government	2,262	2,118	-	-	2,262	2,118
Public safety	4,528	4,127	-	-	4,528	4,127
Education	10,569	10,021	-	-	10,569	10,021
Public works	1,542	2,339	-	-	1,542	2,339
Sanitation	637	733	-	-	637	733
Health and human services	413	354	-	-	413	354
Culture and recreation	467	432	-	-	467	432
Interest on long-term debt	70	89	-	-	70	89
Intergovernmental	71	70	-	-	71	70
Water operations	-	-	707	772	707	772
Total expenses	<u>20,559</u>	<u>20,283</u>	<u>707</u>	<u>772</u>	<u>21,266</u>	<u>21,055</u>
Change in net position before transfers	53	(838)	369	281	422	(557)
Transfers in (out)	<u>(11)</u>	<u>140</u>	<u>11</u>	<u>(140)</u>	<u>-</u>	<u>-</u>
Change in net position	42	(698)	380	141	422	(557)
Net position - beginning of year	<u>27,115</u>	<u>27,813</u>	<u>3,936</u>	<u>3,795</u>	<u>31,051</u>	<u>31,608</u>
Net position - end of year	<u>\$ 27,157</u>	<u>\$ 27,115</u>	<u>\$ 4,316</u>	<u>\$ 3,936</u>	<u>\$ 31,473</u>	<u>\$ 31,051</u>

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$42,417. Key elements of this change are as follows:

General fund operations	\$ 197,740
Stabilization account activity	<u>(309,786)</u>
Subtotal general fund	(112,046)
Nonmajor funds revenues exceeding expenditures and transfers out	408,297
Excess of current year depreciation expense over debt service principal payments	(819,835)
Capital assets funded by sources other than long-term debt	878,571
Increase in net pension liability	(843,429)
Increase in pension related deferred outflows	550,004
Other	<u>(19,145)</u>
Total	<u>\$ 42,417</u>

**Business-type activities.** Business-type activities (water fund) for the year resulted in a change in net position of \$379,673.

#### **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 \$4,568,153, a change of \$296,251 in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ 197,740
Stabilization account activity	<u>(309,786)</u>
Subtotal general fund	(112,046)
Cable access franchise fees exceeding expenditures	238,689
Other nonmajor funds revenues exceeding expenditures and transfers out	<u>169,608</u>
Total	<u>\$ 296,251</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 \$2,232,356, while total fund balance was \$3,243,635. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 2,232,356	\$ 2,453,887	\$ (221,531)	11.6%
Total fund balance	\$ 3,243,635	\$ 3,355,681	\$ (112,046)	16.9%

The decrease in the Town's June 30, 2016 unassigned fund balance from the prior year is due to the Town's management reporting a \$412,643 assigned fund balance, \$383,119 of which is surplus funds set aside to be used in the FY2017 budget.

The total fund balance of the general fund changed by \$(112,046) during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (227,349)
Revenues in excess of budget	178,547
Expenditures less than budget	228,691
Change in stabilization accounts	(309,786)
Other	17,851
<b>Total</b>	<b>\$ (112,046)</b>

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

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
General stabilization	\$ 1,221,248	\$ 1,285,168	\$ (63,920)
Capital stabilization	298,648	544,514	(245,866)
<b>Total</b>	<b>\$ 1,519,896</b>	<b>\$ 1,829,682</b>	<b>\$ (309,786)</b>

The decrease in the Town's June 30, 2016 stabilization fund balances from the prior year is due to the use of stabilization funds for the following:

- \$172,247 for debt service
- \$ 80,371 to defray the cost of FY2016 budgeted expenditures
- \$ 75,000 for capital improvements

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,467,219, a change of \$405,874 in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

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

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$235,849.

The budget increase was for the following purposes:

- \$120,000 for funding of snow and ice deficit
- \$ 40,000 for veterans' benefits
- \$ 20,000 for retired employee's life insurance
- \$ 15,000 for building demolition
- \$ 12,500 for management information systems
- \$ 10,000 for police expenses
- \$ 18,349 for other departmental expenditures

Of this increase, \$223,349 was funded through the use of general fund unassigned fund balance (free cash) and \$12,500 was funded with other available funds.

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$33,558,700 (net of accumulated depreciation), a change of \$(479,885) from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, capital improvements (other than buildings), machinery and equipment, vehicles, and infrastructure.

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

Governmental activities:

- \$567,487 Various roadway improvements
- \$138,701 Public safety vehicles and equipment additions
- \$136,100 Land and land improvements
- \$ 39,834 Other additions

Business-type activities:

- \$ 19,056 Water vehicles additions
- \$ 5,071 Water meter replacements

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

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$2,855,540, all of which was backed by the full faith and credit of the government.

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

**REQUESTS FOR INFORMATION**

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

Town Administrator  
Memorial Hall, Upper Level  
272 Main Street  
Townsend, Massachusetts 01469

TOWN OF TOWNSEND, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 3,489,860	\$ 1,483,165	\$ 4,973,025
Investments	2,106,015	290,400	2,396,415
Receivables, net of allowance for uncollectibles:			
Property taxes	396,411	-	396,411
Excises	166,501	-	166,501
User fees	-	309,125	309,125
Departmental and other	306,651	-	306,651
Intergovernmental	155,222	-	155,222
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	639,920	-	639,920
Capital assets, net of accumulated depreciation	26,104,141	3,193,661	29,297,802
Capital assets, not being depreciated	<u>3,598,641</u>	<u>662,257</u>	<u>4,260,898</u>
<b>Total Assets</b>	36,963,362	5,938,608	42,901,970
<b>Deferred Outflows of Resources</b>			
Related to pensions	<u>570,604</u>	<u>43,741</u>	<u>614,345</u>
<b>Total Assets and Deferred Outflows of Resources</b>	37,533,966	5,982,349	43,516,315
<b>Liabilities</b>			
Current:			
Warrants payable	182,321	33,796	216,117
Accrued liabilities	138,868	7,809	146,677
Notes payable	889,000	-	889,000
Other current liabilities	24,546	11,326	35,872
Current portion of long-term liabilities:			
Bonds payable	409,138	103,364	512,502
Landfill	18,500	-	18,500
Compensated absences	3,855	121	3,976
Noncurrent:			
Bonds payable, net of current portion	1,366,441	976,597	2,343,038
Landfill postclosure, net of current portion	366,000	-	366,000
Compensated absences, net of current portion	34,690	1,096	35,786
Net pension liability	<u>6,943,354</u>	<u>532,264</u>	<u>7,475,618</u>
<b>Total Liabilities</b>	10,376,713	1,666,373	12,043,086
<b>Net Position</b>			
Net investment in capital assets	27,262,748	2,848,757	30,111,505
Restricted for:			
Grants and other statutory restrictions	1,584,910	-	1,584,910
Permanent funds:			
Nonexpendable	317,045	-	317,045
Expendable	107,376	-	107,376
Unrestricted	<u>(2,114,826)</u>	<u>1,467,219</u>	<u>(647,607)</u>
<b>Total Net Position</b>	<u>\$ 27,157,253</u>	<u>\$ 4,315,976</u>	<u>\$ 31,473,229</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 2,262,840	\$ 411,555	\$ 55,303	\$ -	\$ (1,795,982)	\$ -	\$ (1,795,982)
Public safety	4,527,832	697,404	13,532	-	(3,816,896)	-	(3,816,896)
Education	10,568,934	-	-	-	(10,568,934)	-	(10,568,934)
Public works	1,542,237	32,919	-	739,117	(770,201)	-	(770,201)
Sanitation	636,862	-	-	-	(636,862)	-	(636,862)
Health and human services	413,003	23,277	122,115	-	(267,611)	-	(267,611)
Culture and recreation	466,701	43,466	19,770	-	(403,465)	-	(403,465)
Interest	70,490	-	-	-	(70,490)	-	(70,490)
Intergovernmental	71,063	-	-	-	(71,063)	-	(71,063)
Total Governmental Activities	20,559,962	1,208,621	210,720	739,117	(18,401,504)	-	(18,401,504)
<b>Business-Type Activities:</b>							
Water operations	706,546	1,072,761	-	-	-	366,215	366,215
Total Business-Type Activities	706,546	1,072,761	-	-	-	366,215	366,215
<b>Total</b>	<b>\$ 21,266,508</b>	<b>\$ 2,281,382</b>	<b>\$ 210,720</b>	<b>\$ 739,117</b>	<b>(18,401,504)</b>	<b>366,215</b>	<b>(18,035,289)</b>
<b>General Revenues and Transfers:</b>							
Property taxes					15,373,965	-	15,373,965
Excises					1,223,480	-	1,223,480
Penalties, interest and other taxes					361,450	-	361,450
Grants and contributions not restricted to specific programs					1,429,780	-	1,429,780
Investment income					50,379	2,921	53,300
Miscellaneous					15,404	-	15,404
Transfers, net					(10,537)	10,537	-
Total general revenues and transfers					18,443,921	13,458	18,457,379
Change in Net Position					42,417	379,673	422,090
<b>Net Position:</b>							
Beginning of year					27,114,836	3,936,303	31,051,139
End of year					\$ 27,157,253	\$ 4,315,976	\$ 31,473,229

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

TOWN OF TOWNSEND, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Assets</b>			
Cash and short-term investments	\$ 1,975,776	\$ 1,514,084	\$ 3,489,860
Investments	1,519,896	586,119	2,106,015
Receivables:			
Property taxes	1,201,625	-	1,201,625
Excises	220,625	-	220,625
Departmental and other	-	404,459	404,459
Intergovernmental	-	155,222	155,222
<b>Total Assets</b>	<u>\$ 4,917,922</u>	<u>\$ 2,659,884</u>	<u>\$ 7,577,806</u>
<b>Liabilities</b>			
Warrants payable	\$ 170,434	\$ 11,887	\$ 182,321
Accrued liabilities	133,394	5,474	138,868
Notes payable	-	889,000	889,000
Other liabilities	-	24,546	24,546
<b>Total Liabilities</b>	303,828	930,907	1,234,735
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	1,370,459	404,459	1,774,918
<b>Fund Balances</b>			
Nonspendable	-	317,045	317,045
Restricted	4,115	1,883,064	1,887,179
Committed	594,521	-	594,521
Assigned	412,643	-	412,643
Unassigned	2,232,356	(875,591)	1,356,765
<b>Total Fund Balances</b>	<u>3,243,635</u>	<u>1,324,518</u>	<u>4,568,153</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 4,917,922</u>	<u>\$ 2,659,884</u>	<u>\$ 7,577,806</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

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

JUNE 30, 2016

<b>Total governmental fund balances</b>	\$ 4,568,153
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,702,782
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,457,692
• Deferred outflows of resources related to pensions resulting from:	
Net difference between expected and actual earnings on pension plan investments.	354,058
Changes in proportion and differences between contributions and proportionate share of contributions.	216,546
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(1,775,579)
Landfill postclosure	(384,500)
Compensated absences	(38,545)
Net pension liability	<u>(6,943,354)</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 27,157,253</u></u></b>

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

TOWN OF TOWNSEND, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 15,379,453	\$ -	\$ 15,379,453
Excises	1,171,029	-	1,171,029
Penalties, interest and other taxes	361,450	-	361,450
Charges for services	141,237	869,111	1,010,348
Intergovernmental	1,484,897	894,720	2,379,617
Licenses and permits	180,340	75,000	255,340
Investment income	30,547	19,832	50,379
Miscellaneous	-	15,404	15,404
	<u>18,748,953</u>	<u>1,874,067</u>	<u>20,623,020</u>
<b>Total Revenues</b>			
<b>Expenditures:</b>			
Current:			
General government	1,409,077	45,153	1,454,230
Public safety	3,098,749	294,710	3,393,459
Education	10,568,934	-	10,568,934
Public works	912,768	591,203	1,503,971
Sanitation	636,862	-	636,862
Health and human services	269,859	71,517	341,376
Culture and recreation	277,092	71,355	348,447
Employee benefits	1,497,257	-	1,497,257
Debt service	500,633	-	500,633
Intergovernmental	71,063	-	71,063
	<u>19,242,294</u>	<u>1,073,938</u>	<u>20,316,232</u>
<b>Total Expenditures</b>			
<b>Excess (deficiency) of revenues over expenditures</b>	(493,341)	800,129	306,788
<b>Other Financing Sources (Uses):</b>			
Transfers in	391,832	-	391,832
Transfers out	(10,537)	(391,832)	(402,369)
	<u>381,295</u>	<u>(391,832)</u>	<u>(10,537)</u>
<b>Total Other Financing Sources (Uses)</b>			
<b>Change in fund balance</b>	(112,046)	408,297	296,251
<b>Fund Balance at Beginning of Year</b>	<u>3,355,681</u>	<u>916,221</u>	<u>4,271,902</u>
<b>Fund Balance at End of Year</b>	<u>\$ 3,243,635</u>	<u>\$ 1,324,518</u>	<u>\$ 4,568,153</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2016

<b>Net change in governmental fund balances</b>	<b>\$ 296,251</b>																		
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay</td> <td style="text-align: right;">882,122</td> </tr> <tr> <td>Loss on disposal of assets</td> <td style="text-align: right;">(3,551)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,238,973)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue, net of change in allowance for doubtful accounts. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(10,104)</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of bonds</td> <td style="text-align: right;">419,138</td> </tr> </table> </li> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">11,005</td> </tr> </table> </li> <li>• Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Change in landfill postclosure liability</td> <td style="text-align: right;">18,500</td> </tr> <tr> <td>Change in compensated absences</td> <td style="text-align: right;">(38,546)</td> </tr> <tr> <td>Change in net pension liability, net of related deferred outflows</td> <td style="text-align: right;"><u>(293,425)</u></td> </tr> </table> </li> </ul>		Capital outlay	882,122	Loss on disposal of assets	(3,551)	Depreciation	(1,238,973)		(10,104)	Repayments of bonds	419,138		11,005	Change in landfill postclosure liability	18,500	Change in compensated absences	(38,546)	Change in net pension liability, net of related deferred outflows	<u>(293,425)</u>
Capital outlay	882,122																		
Loss on disposal of assets	(3,551)																		
Depreciation	(1,238,973)																		
	(10,104)																		
Repayments of bonds	419,138																		
	11,005																		
Change in landfill postclosure liability	18,500																		
Change in compensated absences	(38,546)																		
Change in net pension liability, net of related deferred outflows	<u>(293,425)</u>																		
<b>Change in net position of governmental activities</b>	<b>\$ <u>42,417</u></b>																		

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

TOWN OF TOWNSEND, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues and Transfers In:</b>				
Taxes	\$ 15,407,445	\$ 15,407,445	\$ 15,379,453	\$ (27,992)
Excise	1,144,137	1,144,137	1,171,029	26,892
Penalties, interest and other taxes	204,000	204,000	361,450	157,450
Charges for services	145,489	145,489	141,237	(4,252)
Intergovernmental	1,476,313	1,476,313	1,484,897	8,584
Licenses and permits	170,000	170,000	180,340	10,340
Investment income	10,000	10,000	12,715	2,715
Miscellaneous	3,784	3,784	-	(3,784)
Transfers in	698,356	710,856	719,450	8,594
<b>Total Revenues and Transfers In</b>	<b>19,259,524</b>	<b>19,272,024</b>	<b>19,450,571</b>	<b>178,547</b>
<b>Expenditures and Transfers Out:</b>				
General government	1,406,935	1,471,111	1,358,976	112,135
Public safety	3,056,481	3,112,387	3,100,405	11,982
Education	10,568,936	10,568,936	10,568,936	-
Public works	855,827	961,171	944,120	17,051
Sanitation	638,598	638,298	636,917	1,381
Health and human services	226,038	288,710	269,859	18,851
Culture and recreation	273,727	278,030	277,092	938
Debt service	531,602	517,470	500,633	16,837
Intergovernmental	71,062	71,062	71,062	-
Employee benefits	1,596,481	1,543,824	1,494,308	49,516
Transfers out	-	10,537	10,537	-
<b>Total Expenditures and Transfers Out</b>	<b>19,225,687</b>	<b>19,461,536</b>	<b>19,232,845</b>	<b>228,691</b>
<b>Excess of revenues and transfers in over expenditures and transfers out</b>	<b>33,837</b>	<b>(189,512)</b>	<b>217,726</b>	<b>407,238</b>
<b>Other Financing Sources/(Uses)</b>				
Use of free cash:				
For funding of snow and ice deficit	-	120,000	-	(120,000)
For veteran's benefits	-	40,000	-	(40,000)
For retired employee life insurance	-	20,000	-	(20,000)
Other	4,000	47,349	-	(47,349)
Raising of prior year deficits	(37,837)	(37,837)	-	37,837
<b>Excess of revenues, transfers in and other sources over expenditures, transfers out and other uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 217,726</b>	<b>\$ 217,726</b>

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

TOWN OF TOWNSEND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Water Fund</u>
<b>Assets</b>	
Current:	
Cash and short-term investments	\$ 1,483,165
Investments	290,400
User fees, net of allowance for uncollectibles	<u>309,125</u>
Total current assets	2,082,690
Noncurrent:	
Capital assets, net of accumulated depreciation	3,193,661
Capital assets, not being depreciated	<u>662,257</u>
Total noncurrent assets	3,855,918
<b>Total Assets</b>	
<b>Deferred Outflows of Resources</b>	
Related to pensions	<u>43,741</u>
<b>Total Assets and Deferred Outflows of Resources</b>	
	5,982,349
<b>Liabilities</b>	
Current:	
Warrants payable	33,796
Accrued liabilities	7,809
Other current liabilities	11,326
Current portion of long-term liabilities:	
Bonds payable	103,364
Compensated absences	<u>121</u>
Total current liabilities	156,416
Noncurrent:	
Bonds payable, net of current portion	976,597
Compensated absences, net of current portion	1,096
Net pension liability	<u>532,264</u>
Total noncurrent liabilities	<u>1,509,957</u>
<b>Total Liabilities</b>	
	1,666,373
<b>Net Position</b>	
Net investment in capital assets	2,848,757
Unrestricted	<u>1,467,219</u>
<b>Total Net Position</b>	<u><u>\$ 4,315,976</u></u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Water Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 1,070,612
Other	<u>2,149</u>
<b>Total Operating Revenues</b>	<b>1,072,761</b>
<b>Operating Expenses:</b>	
Salaries and benefits	221,117
Other operating expenses	337,035
Depreciation	<u>143,609</u>
<b>Total Operating Expenses</b>	<b><u>701,761</u></b>
<b>Operating Income</b>	<b>371,000</b>
<b>Nonoperating Revenues (Expenses):</b>	
Investment income	2,921
Interest expense	<u>(4,785)</u>
<b>Total Nonoperating Revenues (Expenses), Net</b>	<b><u>(1,864)</u></b>
<b>Income Before Transfers</b>	<b>369,136</b>
<b>Transfers:</b>	
Transfers in	<u>10,537</u>
<b>Change in Net Position</b>	<b>379,673</b>
<b>Net Position at Beginning of Year</b>	<b><u>3,936,303</u></b>
<b>Net Position at End of Year</b>	<b><u><u>\$ 4,315,976</u></u></b>

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

TOWN OF TOWNSEND, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Water Fund</u>
<b>Cash Flows From Operating Activities:</b>	
Receipts from customers and users	\$ 1,077,353
Payments to vendors and employees	<u>(673,914)</u>
<b>Net Cash Provided By Operating Activities</b>	403,439
<b>Cash Flows From Noncapital Financing Activities:</b>	
Transfers in	<u>10,537</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	10,537
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	(24,127)
Principal payments on bonds	(101,681)
Interest expense	<u>(24,665)</u>
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	(150,473)
<b>Cash Flows From Investing Activities:</b>	
Investment income	2,921
Investment purchases (sales)	<u>(290,400)</u>
<b>Net Cash (Used for) Investing Activities</b>	<u>(287,479)</u>
<b>Net Change in Cash and Short-Term Investments</b>	(23,976)
<b>Cash and Short-Term Investments, Beginning of Year</b>	<u>1,507,141</u>
<b>Cash and Short-Term Investments, End of Year</b>	<u><u>\$ 1,483,165</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 371,000
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	143,609
Changes in assets and liabilities:	
User fees	4,592
Warrants payable	33,796
Accrued payroll	1,414
Compensated absences	1,217
Net pension liability, including related deferred outflows	<u>(152,189)</u>
<b>Net Cash Provided By Operating Activities</b>	<u><u>\$ 403,439</u></u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and short-term investments	\$ -	\$ 244,017
Investments	<u>141,450</u>	<u>-</u>
<b>Total Assets</b>	141,450	244,017
<b>Liabilities</b>		
Warrants payable	-	258
Other liabilities	<u>-</u>	<u>243,759</u>
<b>Total Liabilities</b>	<u>-</u>	<u>244,017</u>
<b>Net Position</b>		
Total Net Position Restricted for Other Purposes	\$ <u><u>141,450</u></u>	\$ <u><u>-</u></u>

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

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

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions	\$ 100
Interest income	<u>4,057</u>
<b>Total additions</b>	4,157
 <b>Deductions:</b>	
Education	500
Health and human services	<u>3,409</u>
<b>Total deductions</b>	<u>3,909</u>
<b>Net increase</b>	248
 <b>Net position:</b>	
Beginning of year	<u>141,202</u>
End of year	<u>\$ 141,450</u>

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

# TOWN OF TOWNSEND, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2016, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. 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 Town reports the following major governmental funds:

- The *general fund* is the Town'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 fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with 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 Town reports the following major proprietary funds:

- The *water enterprise fund* accounts for the resources and costs associated with the Town's water supply and distribution.

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

The Town reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency fund* accounts for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. This fund is primarily used for performance deposits and payroll withholdings. Agency funds report only assets and liabilities and, therefore, have no measurement focus.

#### D. Cash, Cash Equivalents, and 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.

The Town considers investments with original maturities of three months or less to be short-term investments. 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. During the fiscal year, the Town did not enter into any repurchase agreements.

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. The Town's investments consist of U.S. Government notes, federal agency securities, corporate bonds, equities, mutual funds, and long-term certificates of deposit. Investments are carried at market value, except for nonnegotiable certificates of deposit which are reported at cost.

*E. Property Tax Limitations*

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2016 tax levy reflected an excess capacity of \$5,722.

*F. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government using the following thresholds:

<u>Assets</u>	<u>Value Amount</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	40
Building improvements	\$ 25,000	20
Infrastructure	\$ 150,000	5 - 40
Machinery and equipment	\$ 25,000	3 - 10
Vehicles	\$ 5,000	5
Library books	\$ 5,000	10
Software	\$ 5,000	3
Land	\$ 25,000	N/A
Land improvements	\$ 5,000	N/A
Works of art and historical treasures	\$ 2,500	N/A

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 using the half-year convention over the estimated useful lives noted above.

#### *G. Compensated Absences*

It is the Town's policy to permit certain employees to accumulate earned but unused vacation benefits. All vested vacation pay for those employees is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Earned but unused sick leave balances may be carried from one year to the next; however, these balances are not reimbursable upon resignation or termination of employment.

#### *H. Long-Term Obligations*

In the government-wide financial statements and proprietary funds 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.

#### *I. 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 current assets and deferred outflows and current liabilities and deferred inflows. 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 which 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 for which the fund was established. In the case of special revenue funds, restricted funds are created by statute or otherwise have external constraints on how the funds can be expended. In the case of capital project funds, these funds represent remaining balances that are restricted by state law and borrowing terms. In the case of permanent funds, these funds represent the income portion.
- 3) Committed funds are reported and expended as a result of motions passed by the Town's highest decision-making authority (i.e., Town Meeting vote). Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- 4) Assigned funds are used for specific purposes as established by the Town's management. Assignments represent amounts that are constrained by the Town's intent to use these funds for a specific purpose, but are neither restricted nor committed. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for.
- 5) Unassigned funds represent amounts that have not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance. Temporary fund balance deficits are reported as negative amounts in the unassigned classification in other governmental funds. Unassigned amounts in the general fund are available for any purpose.

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 deferred outflows and liabilities and deferred inflows. Net investments in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions

imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

*J. 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>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 18,748,953	\$ 19,242,294
Other financing sources/uses (GAAP Basis)	<u>391,832</u>	<u>10,537</u>
Subtotal (GAAP Basis)	19,140,785	19,252,831
Reverse beginning-of-year appropriation carryforwards from expenditures	-	(345,382)
Add end-of-year appropriation carryforwards to expenditures	-	325,396
Reverse the effect of non-budgeted stabilization activity	<u>309,786</u>	<u>-</u>
Budgetary Basis	\$ <u><u>19,450,571</u></u>	\$ <u><u>19,232,845</u></u>

*D. Deficit Fund Equity*

The following funds reflected deficit balances as of June 30, 2016:

Special Revenue Funds:	
MEMA Feb 2015 Blizzard Grant	\$ (36,198)
PSAP FY14 Training/Equipment Grant	(18,793)
Police Special Detail Revolving	(14,375)
PSAP FY16 Grant Training/Equip	(10,435)
PSAP FY16 Grant Sup & Inc	(6,755)
EPS Police Earmark Grant	(3,236)
Com Found/Body in Motion	(901)
Body Armor Matching Federal Grant	(525)
Capital Project Funds:	
American Legion	(136,100) *
Highway Road Improvement	(100,000) *
Street Sweeper	(185,285) *
Backhoe	(99,865) *
F450 1-ton Truck	(62,854) *
Used 6-wheel Dump Truck	(64,517) *
Fuel Pumps	(29,636) *
Electronic Message Boards	(27,500) *
UTV Skid Trailer	(24,983) *
Computer Upgrades	(21,599) *
Carpet Replacement	(16,159) *
Pylmovent Harbor Stat	(11,160) *
Clam Shell Catch Basin Cleaner	(4,715) *
	<u>\$ (875,591)</u>

\* Short-term notes outstanding at June 30, 2016 cover deficit balance.

The deficit balances in these funds will be eliminated through future inter-governmental revenues, bond proceeds, and transfers from other funds.

**3. Cash and Short-Term Investments**

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

As of June 30, 2016, \$1,156,156 of the Town's bank balance of \$5,508,436 was exposed to custodial credit risk as uninsured or uncollateralized.

#### 4. Investments

##### A. Credit Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year-end</u>					<u>Not Rated</u>
		<u>Aaa</u>	<u>A2</u>	<u>Baa1</u>	<u>Baa2</u>		
U.S. Treasury notes	\$ 258,896	\$ 258,896	\$ -	\$ -	\$ -	\$ -	-
Federal agency securities	600,598	600,598	-	-	-	-	-
Certificates of deposits	914,259	-	-	-	-	-	914,259
Corporate bonds	361,569	-	101,696	180,662	79,211	-	-
Corporate equities	270,489	-	-	-	-	-	270,489
Mutual funds	132,054	-	-	-	-	-	132,054
Total investments	<u>\$ 2,537,865</u>	<u>\$ 859,494</u>	<u>\$ 101,696</u>	<u>\$ 180,662</u>	<u>\$ 79,211</u>	<u>\$ -</u>	<u>\$ 1,316,802</u>

##### B. Custodial Credit Risk

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

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

##### C. Concentration of Credit Risk

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

<u>Investment Issuer</u>	<u>Investment Type</u>	<u>Amount</u>	<u>% of Total Investments</u>
Bank India	Certificate of deposit	\$ 145,200	5.72%
Santander Bank	Certificate of deposit	145,200	5.72%
Total		<u>\$ 290,400</u>	

*D. Interest Rate Risk*

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

Information regarding the quality and maturity of the Town's fixed income securities is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Duration (in years)</u>	<u>Average Rating</u>
Debt-related Securities:			
U.S. Treasury notes	\$ 258,896	2.34	AAA
Federal agency securities	600,598	4.77	AAA
Corporate bonds	<u>361,569</u>	2.37	A3
Total	<u>\$ 1,221,063</u>		

*E. Foreign Currency Risk*

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

*F. Fair Value*

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

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

<u>Description</u>	<u>Fair Value Measurements Using:</u>			
		Quoted prices in active markets for identical (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Debt securities				
U.S. Treasury notes	\$ 258,896	\$ -	\$ 258,896	\$ -
Federal agency securities	600,598	600,598	-	-
Corporate bonds	361,569	-	361,569	-
Total debt securities	1,221,063	600,598	620,465	-
Equity securities				
Healthcare industry	84,564	84,564	-	-
Consumer goods industry	81,004	81,004	-	-
Utilities industry	31,152	31,152	-	-
Financial industry	22,950	22,950	-	-
Other	50,819	50,819	-	-
Mutual funds	132,054	-	132,054	-
Total equity securities	402,543	270,489	132,054	-
Total investments at fair value	\$ 1,623,606	\$ 871,087	\$ 752,519	\$ -

Federal agency securities and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

U.S. Treasury notes and corporate bonds classified in Level 2 are valued using standard inputs consisting of benchmark yields, reportable trades, benchmark securities (where available), and reference data including market research publications.

## **5. Tax and Motor Vehicle Excise Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Tax and motor vehicle excise receivables at June 30, 2016 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate taxes	\$ 434,921	\$ (82,267)	\$ 352,654
Personal property taxes	13,578	(7,715)	5,863
Tax liens	711,022	(71,102)	639,920
Deferred taxes	<u>42,104</u>	<u>(4,210)</u>	<u>37,894</u>
Total property taxes	1,201,625	(165,294)	1,036,331
Motor vehicle excise	<u>220,625</u>	<u>(54,124)</u>	<u>166,501</u>
Grand Total	<u>\$ 1,422,250</u>	<u>\$ (219,418)</u>	<u>\$ 1,202,832</u>

## **6. User Fee Receivable**

Water user charges are based on meter readings that are done by the Townsend Water Department at the end of each quarter – March, June, September, and December – and are billed in the months following the meter readings. An overdue notice will be sent to water users whose bill remains outstanding by the end of the month in which the first bill is rendered. A demand charge of \$2 per unit will be added to the original bill, plus 1.5% interest. If the bill remains outstanding for 15 days following the overdue notice, the Water Commissioners may order the Superintendent to shut off the water service following Sec IIA, Chapter 165 of the Massachusetts General Laws. The water service will remain shut off until such time that the total outstanding bill is paid, plus an additional turn-on fee of \$35.

All outstanding balances of accumulated water charges plus demands and interest with no payments for than three billing periods constitute a lien on the property, and may be turned over to the tax collector for collection.

Water service connection fees are charged for each new service tapped into the main. The charge covers the costs of digging, tapping the main, laying the standard water lines, and installation of a standard water meter. If larger services or meters are required, additional charges will be rendered.

Receivables for water user charges, water liens, and other water fees at June 30, 2016 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water user charges	\$ 334,708	\$ (33,471)	\$ 301,237
Water liens	5,744	(1,534)	4,210
Water - other	<u>7,356</u>	<u>(3,678)</u>	<u>3,678</u>
Total	<u>\$ 347,808</u>	<u>\$ (38,683)</u>	<u>\$ 309,125</u>

## 7. Transfers In/Out

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2016.

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
<b>Governmental Funds</b>			
General fund	\$ 391,832	\$ 10,537	\$ 381,295
Nonmajor Governmental Funds			
Ambulance receipts reserved	-	304,000	(304,000)
Cable access	-	42,500	(42,500)
Title V betterments	-	27,538	(27,538)
Grants	-	8,594	(8,594)
Cemetery - sale of lots	-	6,300	(6,300)
WTRR receipts reserved	-	2,900	(2,900)
<b>Proprietary Funds</b>			
Water	<u>10,537</u>	<u>-</u>	<u>10,537</u>
Total	<u>\$ 402,369</u>	<u>\$ 402,369</u>	<u>\$ -</u>

The transfer from the ambulance receipts reserved account to the general fund was made to supplement funding for operating costs of Emergency Medical Services. The transfer from the general fund to the water fund was made to cover debt service expenditures. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,867,934	\$ 15,354	\$ -	\$ 22,883,288
Capital improvements (other than buildings)	666,435	47,100	-	713,535
Machinery, equipment, and furnishings	5,373,633	109,503	(129,206)	5,353,930
Vehicles	1,270,306	53,678	(188,834)	1,135,150
Library books	520,003	-	-	520,003
Infrastructure	<u>10,970,858</u>	<u>567,487</u>	<u>-</u>	<u>11,538,345</u>
Total capital assets, being depreciated	41,669,169	793,122	(318,040)	42,144,251
Less accumulated depreciation for:				
Buildings and improvements	(4,984,139)	(577,180)	-	(5,561,319)
Capital improvements (other than buildings)	(328,694)	(25,814)	-	(354,508)
Machinery, equipment, and furnishings	(4,034,931)	(290,067)	125,655	(4,199,343)
Vehicles	(1,065,227)	(86,586)	188,834	(962,979)
Library books	(405,201)	(25,666)	-	(430,867)
Infrastructure	<u>(4,297,434)</u>	<u>(233,660)</u>	<u>-</u>	<u>(4,531,094)</u>
Total accumulated depreciation	<u>(15,115,626)</u>	<u>(1,238,973)</u>	<u>314,489</u>	<u>(16,040,110)</u>
Total capital assets, being depreciated, net	26,553,543	(445,851)	(3,551)	26,104,141
Capital assets, not being depreciated:				
Land	3,454,441	89,000	-	3,543,441
Art and historical treasures	<u>55,200</u>	<u>-</u>	<u>-</u>	<u>55,200</u>
Total capital assets, not being depreciated	<u>3,509,641</u>	<u>89,000</u>	<u>-</u>	<u>3,598,641</u>
Governmental activities capital assets, net	<u>\$ 30,063,184</u>	<u>\$ (356,851)</u>	<u>\$ (3,551)</u>	<u>\$ 29,702,782</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,693,463	\$ -	\$ -	\$ 1,693,463
Capital improvements (other than buildings)	693,836	-	-	693,836
Machinery, equipment, and furnishings	315,012	352,381	-	667,393
Vehicles	140,130	19,056	(24,200)	134,986
Infrastructure	<u>2,129,559</u>	<u>-</u>	<u>-</u>	<u>2,129,559</u>
Total capital assets, being depreciated	4,972,000	371,437	(24,200)	5,319,237
Less accumulated depreciation for:				
Buildings and improvements	(426,801)	(46,234)	-	(473,035)
Capital improvements (other than buildings)	(335,225)	(21,576)	-	(356,801)
Machinery, equipment, and furnishings	(294,889)	(24,992)	-	(319,881)
Vehicles	(116,028)	(8,792)	24,200	(100,620)
Infrastructure	<u>(833,224)</u>	<u>(42,015)</u>	<u>-</u>	<u>(875,239)</u>
Total accumulated depreciation	<u>(2,006,167)</u>	<u>(143,609)</u>	<u>24,200</u>	<u>(2,125,576)</u>
Total capital assets, being depreciated, net	2,965,833	227,828	-	3,193,661
Capital assets, not being depreciated:				
Land	662,257	-	-	662,257
Construction in progress	<u>347,310</u>	<u>-</u>	<u>(347,310)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,009,567</u>	<u>-</u>	<u>(347,310)</u>	<u>662,257</u>
Business-type activities capital assets, net	<u>\$ 3,975,400</u>	<u>\$ 227,828</u>	<u>\$ (347,310)</u>	<u>\$ 3,855,918</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 455,085
Public safety	351,110
Public works	404,059
Culture and recreation	<u>28,719</u>
Total depreciation expense - governmental activities	<u>\$ 1,238,973</u>
Business-Type Activities:	
Water	<u>\$ 143,609</u>
Total depreciation expense - business-type activities	<u>\$ 143,609</u>

**9. Deferred Outflows of Resources**

In addition to assets, the basic financial statements may include a separate element for deferred outflows of resources. Deferred outflows of resources represent the consumption of net position 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 Town reports deferred outflows related to pensions in the government-wide statement of net position, which are more fully described in Note 19.

**10. Warrants Payable**

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

**11. Notes Payable**

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

	Interest Rate	Date of Issue	Date of Maturity	Balance Beginning of Year	New Issues	Maturities	Balance at 6/30/16
<u>Governmental Activities:</u>							
Roadway improvements	0.55%	12/12/14	12/11/15	\$ 100,000	\$ -	\$ (100,000)	\$ -
Capital improvements	0.50%	01/12/15	12/11/15	630,000	-	(630,000)	-
Roadway improvements	0.75%	12/11/15	12/09/16	-	100,000	-	100,000
Capital improvements	0.75%	12/11/15	12/09/16	-	630,000	-	630,000
Building purchase & removal	0.75%	12/11/15	12/09/16	-	159,000	-	159,000
Total				<u>\$ 730,000</u>	<u>\$ 889,000</u>	<u>\$ (730,000)</u>	<u>\$ 889,000</u>

## 12. Long-Term Debt

### A. General Obligation Bonds

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

	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/16</u>
<u>Governmental Activities:</u>			
Title V - Water pollution	08/01/19	5.375-5.50%	\$ 43,132
Public buildings	06/15/22	4.25-5.00%	265,000
Land acquisition I	06/15/22	4.50-5.00%	150,000
Land acquisition II	06/15/19	4.50-5.00%	25,000
Landfill closure I	06/15/24	4.25-5.00%	520,000
Landfill closure II (72%)	06/15/24	4.25-5.00%	187,200
Title V	08/01/22	5.00-5.25%	50,948
Title V	07/15/27	0.00%	114,299
Memorial Hall - refunding	07/15/27	2.00-3.00%	190,000
Land acquisition - refunding	07/15/27	2.00-3.00%	20,000
Fire truck	07/15/27	2.00-3.00%	210,000
Total Governmental Activities:			\$ <u>1,775,579</u>

	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/16</u>
<u>Business-Type Activities:</u>			
Water pumping station	07/15/25	2.00%	\$ 384,065
Water improvements - East Side	07/15/26	2.00%	608,096
Landfill closure II (28%)	06/15/24	4.25-5.00%	72,800
Water - refunding	12/17/17	2.00-3.00%	15,000
Total Business-Type Activities:			\$ <u>1,079,961</u>

**B. Future Debt Service**

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 409,138	\$ 67,231	\$ 476,369
2018	399,138	52,023	451,161
2019	189,138	40,470	229,608
2020	187,738	32,228	219,966
2021	176,955	24,201	201,156
2022 - 2026	394,423	29,650	424,073
2027 - 2028	19,049	-	19,049
Total	<u>\$ 1,775,579</u>	<u>\$ 245,803</u>	<u>\$ 2,021,382</u>

The general fund has been designated as the source to repay the general obligation long-term debt outstanding as of June 30, 2016:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 103,364	\$ 22,698	\$ 126,062
2018	100,080	20,355	120,435
2019	96,831	18,151	114,982
2020	100,017	13,740	113,757
2021	101,840	11,917	113,757
2022 - 2026	516,854	30,930	547,784
2027	60,975	610	61,585
Total	<u>\$ 1,079,961</u>	<u>\$ 118,401</u>	<u>\$ 1,198,362</u>

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

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

	Total Balance 7/1/15	Additions	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Long-Term Portion 6/30/16
<u>Governmental Activities</u>						
Bonds payable	\$ 2,194,717	\$ -	\$ (419,138)	\$ 1,775,579	\$ (409,138)	\$ 1,366,441
Landfill closure	403,000	-	(18,500)	384,500	(18,500)	366,000
Compensated absences	-	38,545	-	38,545	(3,855)	34,690
Net pension liability	6,099,925	843,429	-	6,943,354	-	6,943,354
Totals	<u>\$ 8,697,642</u>	<u>\$ 881,974</u>	<u>\$ (437,638)</u>	<u>\$ 9,141,978</u>	<u>\$ (431,493)</u>	<u>\$ 8,710,485</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 1,181,642	\$ -	\$ (101,681)	\$ 1,079,961	\$ (103,364)	\$ 976,597
Compensated absences	-	1,217	-	1,217	(121)	1,096
Net pension liability	642,883	-	(110,619)	532,264	-	532,264
Totals	<u>\$ 1,824,525</u>	<u>\$ 1,217</u>	<u>\$ (212,300)</u>	<u>\$ 1,613,442</u>	<u>\$ (103,485)</u>	<u>\$ 1,509,957</u>

### 13. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of the closure and postclosure care costs as a liability in the financial statements in each period based on landfill capacity used as of each balance sheet date.

The \$384,500 reported as landfill closure and postclosure care liability at June 30, 2016 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill.

### 14. Deferred Inflows of Resources

In addition to liabilities, the basic financial statements may include a separate element for deferred inflows of resources. Deferred inflows of resources represent the acquisition of net position by the Town that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports deferred inflows related to pensions in the government-wide statement of net position, which are more fully described in Note 19.

The following is a summary of deferred inflows of resources balances, other than those related to pensions, as of June 30, 2016:

	<u>Fund Basis</u>	
	<u>Governmental Funds</u>	
	<u>General Fund</u>	<u>Nonmajor Funds</u>
Unavailable property taxes	\$ 1,149,832	\$ -
Unavailable excise	220,627	-
Unavailable betterments	-	162,466
Unavailable ambulance revenue	-	241,993
Total	<u>\$ 1,370,459</u>	<u>\$ 404,459</u>

Unavailable property taxes, excise, betterments, and ambulance revenue are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

## 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.

Assets that have restrictions placed on them from federal and state granting agencies, as well as assets that are restricted by state law to specific capital purposes and borrowing terms are reported as a component of "Grants and other statutory restrictions".

## 16. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2016:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes 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 funds set aside in the general fund for future debt service, various special revenue funds, capital project 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 funds set aside in the Town's capital stabilization fund and general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting.

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 in the subsequent budgetary period and surplus set aside to be used in the subsequent year's budget voted by Town Meeting.

Unassigned - Represents amounts that are available to be spent in future periods and deficit balances in nonmajor governmental funds.

Following is a breakdown of the Town's fund balances at June 30, 2016:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 317,045	\$ 317,045
Total Nonspendable	-	317,045	317,045
Restricted			
For debt service	4,115	-	4,115
Capital projects	-	93,339	93,339
Ambulance revolving fund	-	584,755	584,755
Septic Title V revolving fund	-	216,490	216,490
Cablevision Access revolving fund	-	422,265	422,265
Recreation revolving fund	-	65,567	65,567
CDBG Program Income revolving fund	-	80,226	80,226
Cemetery revolving fund	-	37,021	37,021
Other special revenue funds	-	276,025	276,025
Expendable permanent funds	-	107,376	107,376
Total Restricted	4,115	1,883,064	1,887,179
Committed			
Capital stabilization accounts	298,648	-	298,648
For continuing appropriations:			
General government	185,487	-	185,487
Public safety	40,852	-	40,852
Public works	65,040	-	65,040
Employee benefits	4,494	-	4,494
Total Committed	594,521	-	594,521
Assigned			
Encumbered for:			
General government	22,426	-	22,426
Public safety	2,025	-	2,025
Public works	600	-	600
Health and human services	55	-	55
Employee benefits	4,418	-	4,418
For next year's expenditures	383,119	-	383,119
Total Assigned	412,643	-	412,643
Unassigned - operating fund	1,011,108	-	1,011,108
Unassigned - general stabilization	1,221,248	-	1,221,248
Unassigned - deficit balances	-	(875,591)	(875,591)
Total Unassigned	2,232,356	(875,591)	1,356,765
Total Fund Balance	\$ 3,243,635	\$ 1,324,518	\$ 4,568,153

## 17. **Commitments and Contingencies**

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

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

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

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

### A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2016, the actuarial valuation date, approximately 3 retirees and 66 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 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2016 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2016.

Annual Required Contribution (ARC)	\$ 42,425
Interest on net OPEB obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost	42,425
Contributions made	<u>(42,425)</u>
	-
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	<hr/>
Net OPEB obligation - end of year	<u><u>\$ -</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
			<hr/>
2016	\$ 42,425	100%	\$ -
2015	\$ 39,680	100%	\$ -
2014	\$ 37,090	100%	\$ -

*E. Funded Status and Funding Progress*

The funded status of the plan as of June 30, 2016, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 228,412
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 228,412</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 3,387,073</u>
UAAL as a percentage of covered payroll	<u>6.7%</u>

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

*F. Actuarial Methods and Assumptions*

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

In the June 30, 2016 actuarial valuation, the projected unit credit 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 4.0% investment rate of return and an initial annual healthcare cost trend rate of 6.0%, which decreases to a 4.5% long-term rate for all healthcare benefits after year 2020. 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 4.0%.

## 19. Middlesex County Retirement System

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

### A. Plan Description

Substantially all employees of the Town are members of the Middlesex County Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System's Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 25 Linnell Circle, Billerica, Massachusetts 01821.

### Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

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

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years' creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

### Participant Refunds

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

### Participant 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. 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%
1979 - present	Additional 2.00% of salary in excess of \$30,000
Group 1 members hired on or after April 2, 2012	6.00% with 30 or more years of credible service

### Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2016 was \$650,040, which was equal to its annual required contribution.

*B. Summary of Significant Accounting Policies*

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

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

At June 30, 2016, the Town reported a liability of \$7,475,618 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of or as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015, the Town’s proportion was 0.579497%.

For the year ended June 30, 2016, the Town recognized pension expense of \$732,993. In addition, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 381,199
Changes in proportion and differences between contributions and proportionate share of contributions	<u>233,146</u>
Total	<u>\$ 614,345</u>

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

	<u>Deferred Outflows of Resources</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Year ended June 30:			
2017	\$ 144,015	\$ 11,040	\$ 155,055
2018	144,015	11,040	155,055
2019	144,015	11,040	155,055
2020	<u>138,559</u>	<u>10,621</u>	<u>149,180</u>
Total	<u>\$ 570,604</u>	<u>\$ 43,741</u>	<u>\$ 614,345</u>

**D. Actuarial Assumptions**

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

Valuation date	January 1, 2014, rolled forward to December 31, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.875%
Inflation rate	4.00%
Projected salary increases	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2, and 4.75% for Group 4
Post-retirement cost-of-living adjustment	3.00% on the first \$14,000

Mortality rates were based on the RP-2000 Employee Mortality Table projected 22 years with Scale AA for pre-retirement, the RP-2000 Employee Mortality Table projected 17 years with Scale AA for post-retirement, and the RP-2000 Healthy Annuitant Mortality Table set forward three years projected 17 years with Scale AA for disabled retirees.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2013 to December 31, 2013.

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>	Long-term Expected Asset Allocation	Long-term Expected Real Rate of Return
Domestic equity	19.60%	6.49%
International developed markets equity	15.60%	7.16%
International emerging markets equity	6.50%	9.46%
Core fixed income	15.30%	1.68%
High-yield fixed income	8.30%	4.76%
Real estate	9.90%	4.37%
Commodities	3.90%	4.13%
Hedge fund, GTAA, risk parity	9.80%	3.60%
Private equity	11.10%	11.04%
Cash	0.00%	1.11%
Total	<u>100.00%</u>	

*E. Discount Rate*

The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*F. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.875%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.875%) or 1 percentage-point higher (8.875%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.875%)</u>	<u>Current Discount Rate (7.875%)</u>	<u>1% Increase (8.875%)</u>
June 30, 2016	\$ 8,976,811	\$ 7,475,618	\$ 6,197,254

*G. Pension Plan Fiduciary Net Position*

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

**20. 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 TOWNSEND, MASSACHUSETTS  
SCHEDULE OF OPEB FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2016  
(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/16	\$ -	\$ 228,412	\$ 228,412	0.0%	\$ 3,387,073	6.7%
06/30/14	\$ -	\$ 275,210	\$ 275,210	0.0%	\$ 4,123,366	6.7%
06/30/11	\$ -	\$ 176,000	\$ 176,000	0.0%	N/A	N/A

See Independent Auditors' Report.

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

**Middlesex County Retirement System**

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	0.579497%	\$ 7,475,618	\$ 2,998,738	249.29%	46.13%
June 30, 2015	0.561285%	\$ 6,742,808	\$ 2,883,402	233.85%	47.65%

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

See Independent Auditors' Report.

**TOWN OF TOWNSEND, MASSACHUSETTS**

**SCHEDULE OF PENSION CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016  
(Unaudited)**

**Middlesex County Retirement System**

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 650,040	\$ 650,040	\$ -	\$ 2,998,738	21.68%
June 30, 2015	\$ 673,724	\$ 673,724	\$ -	\$ 2,883,402	23.37%

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

See Independent Auditors' Report.