

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2013**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Blackstone, 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 Blackstone, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk 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 Blackstone, Massachusetts, as of June 30, 2013, 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 and Schedule of Funding Progress 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*

May 28, 2014

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

As management of the Town of Blackstone, we offer readers this narrative overview and analysis of the financial activities of the Town of Blackstone for the fiscal year ended June 30, 2013.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$41,053,918 (i.e., net position), a change of \$1,379,076 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$9,626,691, a change of \$681,813 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,808,811 (including stabilization), a change of \$685,428 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$11,944,460, a change of \$(1,095,024) 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>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 10,700	\$ 9,807	\$ 1,869	\$ 2,519	\$ 12,569	\$ 12,326
Capital assets	19,191	19,466	22,301	22,136	41,492	41,602
Total assets	<u>29,891</u>	<u>29,273</u>	<u>24,170</u>	<u>24,655</u>	<u>54,061</u>	<u>53,928</u>
Long-term liabilities outstanding	2,473	2,785	10,034	10,868	12,507	13,653
Other liabilities	253	235	247	365	500	600
Total liabilities	<u>2,726</u>	<u>3,020</u>	<u>10,281</u>	<u>11,233</u>	<u>13,007</u>	<u>14,253</u>
Net position:						
Net investment in capital assets	17,195	17,174	12,847	12,404	30,042	29,578
Restricted	1,273	1,134	-	-	1,273	1,134
Unrestricted	8,697	7,945	1,042	1,018	9,739	8,963
Total net position	<u>\$ 27,165</u>	<u>\$ 26,253</u>	<u>\$ 13,889</u>	<u>\$ 13,422</u>	<u>\$ 41,054</u>	<u>\$ 39,675</u>

## CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 551	\$ 554	\$ 1,393	\$ 1,494	\$ 1,943	\$ 2,048
Operating grants and contributions	272	356	-	-	272	356
Capital grants and contributions	683	58	-	-	683	58
General revenues:						
Property taxes	12,325	11,733	-	-	12,325	11,733
Excises	970	810	-	-	970	810
Payment in lieu of taxes	2,188	2,135	-	-	2,188	2,135
Penalties and interest on taxes	114	104	124	104	239	208
Grants and contributions not restricted to specific programs	1,174	1,174	-	-	1,174	1,174
Investment income	18	68	-	-	18	68
Other	134	164	-	-	134	164
Total revenues	<u>18,429</u>	<u>17,156</u>	<u>1,517</u>	<u>1,598</u>	<u>19,946</u>	<u>18,754</u>
Expenses:						
General government	1,481	1,565	-	-	1,481	1,565
Public safety	2,511	2,392	-	-	2,511	2,392
Education	8,502	8,312	-	-	8,502	8,312
Public works	1,856	1,556	-	-	1,856	1,556
Human services	388	290	-	-	388	290
Culture and recreation	618	609	-	-	618	609
Employee benefits	903	830	-	-	903	830
Interest on long-term debt	78	88	-	-	78	88
Intergovernmental	41	41	-	-	41	41
Water and sewer	-	-	1,772	1,824	1,772	1,824
Recycling	-	-	417	453	417	453
Total expenses	<u>16,378</u>	<u>15,683</u>	<u>2,189</u>	<u>2,277</u>	<u>18,567</u>	<u>17,960</u>
Change in net assets before transfers	2,051	1,473	(672)	(679)	1,379	794
Transfers in (out)	<u>(1,139)</u>	<u>(1,133)</u>	<u>1,139</u>	<u>1,133</u>	-	-
Increase in net position	912	340	467	454	1,379	794
Net position - beginning of year	<u>26,253</u>	<u>25,913</u>	<u>13,422</u>	<u>12,968</u>	<u>39,675</u>	<u>38,881</u>
Net position - end of year	<u>\$ 27,165</u>	<u>\$ 26,253</u>	<u>\$ 13,889</u>	<u>\$ 13,422</u>	<u>\$ 41,054</u>	<u>\$ 39,675</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 \$41,053,918, a change of \$1,379,076 from the prior year.

The largest portion of net position \$30,041,659 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$1,273,442 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$9,738,817 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$912,246. Key elements of this change are as follows (in thousands):

General fund operations, as discussed further in Section D	\$ 398
Non major fund revenues and transfers in over expenditures and transfers out	9
Current year revenues used for capital assets	818
Capital trust transfers in exceeding transfers out	275
Principal debt service in excess of depreciation expense	(797)
Other	<u>209</u>
Total	<u>\$ 912</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$466,830. Key elements of this change are as follows (in thousands):

Water/Sewer operations	\$ 530
Recycling operations	<u>(63)</u>
Total	<u>\$ 467</u>

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

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

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported, combined ending fund balances of \$9,626,691, a change of \$681,813 in comparison to the prior year. Key elements of this change are as follows (in thousands):

General fund revenue in excess of expenditures due to unexpended appropriations and increased collections	\$ 398
Capital trust transfers in exceeding transfers out	275
Other fund revenues over expenditures	<u>9</u>
Total	<u>\$ 682</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 \$4,808,811, while total fund balance was \$6,119,992. 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>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance <sup>1</sup>	\$ 4,808,811	\$ 4,123,383	\$ 685,428	31.1%
Total fund balance	6,119,992	5,721,505	398,487	39.6%

<sup>1</sup> Now includes stabilization fund. Prior period balances have been revised to conform to current presentation.

The total fund balance of the general fund changed by \$398,487 during the current fiscal year. Key factors in this change are as follows (in thousands):

Use of free cash as a funding source	\$ (1,318)
Revenues in excess of budget	372
Expenditures less than budget	276
Current year encumbrances exceeding expenditures of prior year encumbrances	106
Change in stabilization	988
Other	<u>(26)</u>
Total	<u>\$ 398</u>

Included in the total general fund balance is the Town's stabilization account with the following balances:

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
General stabilization	\$ <u>2,925,595</u>	\$ <u>1,937,785</u>	\$ <u>987,810</u>
Total	\$ <u><u>2,925,595</u></u>	\$ <u><u>1,937,785</u></u>	\$ <u><u>987,810</u></u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,041,993, a change of \$24,273 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 \$222,987. The reason for these amendments was to pay prior year bills, fund the snow and ice deficit, fund the veterans benefits deficit, pay fire department overtime, and purchase equipment. The increase was funded from transfers from free cash.

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$41,491,889 (net of accumulated depreciation), a change of \$(109,741) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

Sewer Department well 8 construction	\$ 504
Road Repairs	493
Town hall drainage improvements	175
Stormwater management	10
Recycling sorting facility	28
Governmental buildings and equipment	135
Library equipment	6
Depreciation	<u>(1,461)</u>
Total:	<u>\$ (110)</u>

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

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$11,944,460, 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 Financial Statements.

## **G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Blackstone's financial position remains good and is supported by strong reserves. The reserves are in the Town's stabilization fund, which totaled \$2,925,595 at the end of fiscal 2013. Budgeting has been conservative and expenditures have been adjusted to reflect weaker revenues from local receipts and state aid. The fiscal 2014 budget totals \$21,360,773, an increase of 3% over the prior year.

Income levels in the Town are good. Blackstone's unemployment rate continues to be above that of the Commonwealth and the national average. As of fiscal 2013, the unemployment rate for Blackstone was 9.4%.

FY 2014 is a revaluation year, and per DOR protocol, values were adjusted to reflect market value. The total value of the Real & Personal Property of the Town of Blackstone is \$807,791,020. This value decreased from Fiscal 2013 by -0.9%. The average assessed value of a single family home decreased from \$234,041 in Fiscal 2013 to \$233,944 in Fiscal 2014, a decrease of -0.05%. The Fiscal 2014 Tax Rate was set at \$18.83. At the annual Classification hearing, the Board of Selectmen voted to maintain a single rate for all classes. The average single family tax bill for Fiscal 2014 is \$4,405, an increase of 4.63% over Fiscal 2013.

The Town of Blackstone's bond rating was increased to AA+.

## **REQUESTS FOR INFORMATION**

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

Town Clerk  
Town of Blackstone  
15 St. Paul Street  
Blackstone, Massachusetts 01504

TOWN OF BLACKSTONE, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 4,802,372	\$ 1,042,892	\$ 5,845,264
Investments	4,954,194	-	4,954,194
Receivables, net of allowance for uncollectibles:			
Property taxes	533,070	-	533,070
Excises	172,901	-	172,901
User fees	-	826,063	826,063
Departmental and other	199,299	-	199,299
Intergovernmental	523	-	523
Due from other funds	26,629	-	26,629
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Loans	11,295	-	11,295
Capital Assets:			
Land and construction in progress	4,045,421	1,261,400	5,306,821
Other assets, net of accumulated depreciation	15,145,921	21,039,147	36,185,068
<b>TOTAL ASSETS</b>	<b>29,891,625</b>	<b>24,169,502</b>	<b>54,061,127</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	192,925	57,097	250,022
Accrued liabilities	60,722	163,195	223,917
Due to other funds	-	26,629	26,629
Current portion of long-term liabilities:			
Bonds payable	290,223	784,801	1,075,024
Other liabilities	47,465	8,753	56,218
Noncurrent:			
Bonds payable, net of current portion	1,707,958	9,161,478	10,869,436
Other liabilities, net of current portion	427,184	78,779	505,963
<b>TOTAL LIABILITIES</b>	<b>2,726,477</b>	<b>10,280,732</b>	<b>13,007,209</b>
<b>NET POSITION</b>			
Net investment in capital assets	17,194,882	12,846,777	30,041,659
Restricted for:			
Grants and other statutory restrictions	1,273,442	-	1,273,442
Unrestricted	8,696,824	1,041,993	9,738,817
<b>TOTAL NET POSITION</b>	<b>\$ 27,165,148</b>	<b>\$ 13,888,770</b>	<b>\$ 41,053,918</b>

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

TOWN OF BLACKSTONE, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 1,480,692	\$ 83,890	\$ 29,961	\$ -	\$ (1,366,841)	\$ -	\$ (1,366,841)
Public safety	2,511,477	344,444	41,840	-	(2,125,193)	-	(2,125,193)
Education	8,501,813	-	84,251	-	(8,417,562)	-	(8,417,562)
Public works	1,856,081	86,542	-	682,808	(1,086,731)	-	(1,086,731)
Health and human services	388,302	25,666	80,504	-	(282,132)	-	(282,132)
Culture and recreation	617,800	10,005	35,503	-	(572,292)	-	(572,292)
Employee benefits	902,929	-	-	-	(902,929)	-	(902,929)
Interest	77,617	-	-	-	(77,617)	-	(77,617)
Intergovernmental	41,103	-	-	-	(41,103)	-	(41,103)
Total Governmental Activities	16,377,814	550,547	272,059	682,808	(14,872,400)	-	(14,872,400)
<b>Business-Type Activities:</b>							
Water/Sewer services	1,772,431	1,038,938	-	-	-	(733,493)	(733,493)
Recycling services	416,905	353,972	-	-	-	(62,933)	(62,933)
Total Business-Type Activities	2,189,336	1,392,910	-	-	-	(796,426)	(796,426)
Total	\$ 18,567,150	\$ 1,943,457	\$ 272,059	\$ 682,808	(14,872,400)	(796,426)	(15,668,826)
<b>General Revenues and Transfers:</b>							
Property taxes					12,325,274	-	12,325,274
Excises					970,483	-	970,483
Payment in lieu of taxes					2,187,898	-	2,187,898
Penalties, interest and other taxes					114,301	124,446	238,747
Grants and contributions not restricted to specific programs					1,173,586	-	1,173,586
Investment income					18,393	-	18,393
Miscellaneous					133,521	-	133,521
Transfers, net					(1,138,810)	1,138,810	-
Total general revenues and transfers					15,784,646	1,263,256	17,047,902
Change in Net Position					912,246	466,830	1,379,076
<b>Net Position:</b>							
Beginning of year					26,252,902	13,421,940	39,674,842
End of year					\$ 27,165,148	\$ 13,888,770	\$ 41,053,918

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

TOWN OF BLACKSTONE, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	<u>Capital Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 3,430,903	\$ 102,954	\$ 1,268,515	\$ 4,802,372
Investments	2,823,891	2,130,303	-	4,954,194
Receivables:				
Property taxes	1,417,471	-	-	1,417,471
Excises	323,464	-	-	323,464
Loans receivable	-	-	11,295	11,295
Departmental and other	2,325	-	196,974	199,299
Intergovernmental	-	-	523	523
Due from other funds	<u>26,629</u>	<u>-</u>	<u>-</u>	<u>26,629</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,024,683</u>	<u>\$ 2,233,257</u>	<u>\$ 1,477,307</u>	<u>\$ 11,735,247</u>
<b>LIABILITIES</b>				
Warrants payable	\$ 186,557	\$ -	\$ 6,368	\$ 192,925
Accrued liabilities	<u>46,421</u>	<u>-</u>	<u>-</u>	<u>46,421</u>
<b>TOTAL LIABILITIES</b>	232,978	-	6,368	239,346
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,671,713	-	197,497	1,869,210
<b>FUND BALANCES</b>				
Restricted	-	-	1,273,442	1,273,442
Committed	438,809	2,233,257	-	2,672,066
Assigned	872,372	-	-	872,372
Unassigned	<u>4,808,811</u>	<u>-</u>	<u>-</u>	<u>4,808,811</u>
<b>TOTAL FUND BALANCES</b>	<u>6,119,992</u>	<u>2,233,257</u>	<u>1,273,442</u>	<u>9,626,691</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u>\$ 8,024,683</u>	<u>\$ 2,233,257</u>	<u>\$ 1,477,307</u>	<u>\$ 11,735,247</u>

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

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

JUNE 30, 2013

<b>Total governmental fund balances</b>	\$ 9,626,691
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,191,342
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	834,246
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(14,301)
• Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(2,472,830)</u>
<b>Net position of governmental activities</b>	<u>\$ 27,165,148</u>

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

TOWN OF BLACKSTONE, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Capital Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 12,280,535	\$ -	\$ -	\$ 12,280,535
Excises	856,369	-	-	856,369
PILOT	2,187,898	-	-	2,187,898
Penalties, interest, and other taxes	114,301	-	-	114,301
Charges for services	37,752	-	263,521	301,273
Intergovernmental	1,320,905	-	592,342	1,913,247
Licenses and permits	139,181	-	-	139,181
Fines and forfeitures	44,866	-	-	44,866
Contributions and donations	-	-	232,138	232,138
Investment income	(819)	(3,772)	224	(4,367)
Miscellaneous	19,513	-	114,008	133,521
<b>Total Revenues</b>	<b>17,000,501</b>	<b>(3,772)</b>	<b>1,202,233</b>	<b>18,198,962</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,543,225	-	78,404	1,621,629
Public safety	2,334,910	-	41,338	2,376,248
Education	8,353,320	-	26,925	8,380,245
Public works	1,170,044	-	669,964	1,840,008
Health and human services	313,256	-	68,869	382,125
Culture and recreation	408,435	-	50,654	459,089
Employee benefits	902,929	-	-	902,929
Debt service	374,963	-	-	374,963
Intergovernmental	41,103	-	-	41,103
<b>Total Expenditures</b>	<b>15,442,185</b>	<b>-</b>	<b>936,154</b>	<b>16,378,339</b>
Excess of revenues over expenditures	1,558,316	(3,772)	266,079	1,820,623
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,934,724	1,955,743	-	3,890,467
Transfers out	(3,094,553)	(1,677,147)	(257,577)	(5,029,277)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,159,829)</b>	<b>278,596</b>	<b>(257,577)</b>	<b>(1,138,810)</b>
Change in fund balance	398,487	274,824	8,502	681,813
Fund Equity, at Beginning of Year, as restated	5,721,505	1,958,433	1,264,940	8,944,878
Fund Equity, at End of Year	\$ 6,119,992	\$ 2,233,257	\$ 1,273,442	\$ 9,626,691

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

TOWN OF BLACKSTONE, 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, 2013

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 681,813</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> <tr> <td style="padding-left: 40px;">Capital outlay purchases</td> <td style="text-align: right;">818,289</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(1,092,508)</td> </tr> </table> </li> </ul>		Capital outlay purchases	818,289	Depreciation	(1,092,508)
Capital outlay purchases	818,289				
Depreciation	(1,092,508)				
<ul style="list-style-type: none"> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue.</li> </ul>					
	207,148				
<ul style="list-style-type: none"> <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> <tr> <td style="padding-left: 40px;">Amortization of bond premium and bond issuance costs</td> <td style="text-align: right;">22,760</td> </tr> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">295,223</td> </tr> </table> </li> </ul>		Amortization of bond premium and bond issuance costs	22,760	Repayments of debt	295,223
Amortization of bond premium and bond issuance costs	22,760				
Repayments of debt	295,223				
<ul style="list-style-type: none"> <li>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>					
	2,123				
<ul style="list-style-type: none"> <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.</li> </ul>					
	<u>(22,602)</u>				
<b>Change in net position of governmental activities</b>	<b>\$ <u>912,246</u></b>				

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

TOWN OF BLACKSTONE, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues and other sources:</b>				
Property taxes	\$ 12,305,823	\$ 12,305,823	\$ 12,305,823	\$ -
Excise taxes	600,000	600,000	856,369	256,369
Interest, penalties, and other taxes	50,000	50,000	114,301	64,301
Licenses and permits	115,000	115,000	139,181	24,181
Intergovernmental	1,321,317	1,321,317	1,320,905	(412)
Charges for services	25,000	25,000	37,752	12,752
Investment income	35,000	35,000	9,336	(25,664)
Fines and forfeitures	35,000	35,000	44,866	9,866
PILOT	2,184,651	2,184,651	2,187,898	3,247
Miscellaneous	10,000	10,000	19,513	9,513
Other financing sources:				
Transfers in	1,916,770	1,916,770	1,934,724	17,954
Use of fund balance	1,094,696	1,317,683	1,317,683	-
<b>Total Revenues</b>	<b>19,693,257</b>	<b>19,916,244</b>	<b>20,288,351</b>	<b>372,107</b>
<b>Expenditures and other uses:</b>				
Current:				
General government	1,737,061	1,767,838	1,599,814	168,024
Public safety	2,320,810	2,360,810	2,330,286	30,524
Education	8,404,878	8,404,878	8,353,320	51,558
Public works	1,110,753	1,237,963	1,198,196	39,767
Health and human services	315,954	340,954	325,795	15,159
Culture and recreation	431,024	431,024	416,085	14,939
Employee benefits	966,039	966,039	908,393	57,646
Intergovernmental	-	-	41,103	(41,103)
Debt service	379,963	379,963	374,963	5,000
Other financing uses:				
Transfers out	4,026,775	4,026,775	4,092,518	(65,743)
<b>Total Expenditures</b>	<b>19,693,257</b>	<b>19,916,244</b>	<b>19,640,473</b>	<b>275,771</b>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 647,878</u>	<u>\$ 647,878</u>

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

TOWN OF BLACKSTONE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Recycling Fund	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 1,042,892	\$ -	\$ 1,042,892
User fees, net of allowance for uncollectibles	826,063	-	826,063
Total current assets	1,868,955	-	1,868,955
Noncurrent:			
Capital assets, net of accumulated depreciation	21,873,162	427,385	22,300,547
Total noncurrent assets	21,873,162	427,385	22,300,547
<b>TOTAL ASSETS</b>	23,742,117	427,385	24,169,502
<b>LIABILITIES</b>			
Current:			
Warrants payable	52,333	4,764	57,097
Accrued liabilities	159,746	3,449	163,195
Due to other funds	-	26,629	26,629
Current portion of long-term liabilities:			
Bonds payable	759,001	25,800	784,801
Other liabilities	5,154	3,599	8,753
Total current liabilities	976,234	64,241	1,040,475
Noncurrent:			
Bonds payable, net of current portion	9,084,078	77,400	9,161,478
Other liabilities, net of current portion	46,389	32,390	78,779
Total noncurrent liabilities	9,130,467	109,790	9,240,257
<b>TOTAL LIABILITIES</b>	10,106,701	174,031	10,280,732
<b>NET POSITION</b>			
Net investment in capital assets	12,545,242	301,535	12,846,777
Unrestricted	1,090,174	(48,181)	1,041,993
<b>TOTAL NET POSITION</b>	<b>\$ 13,635,416</b>	<b>\$ 253,354</b>	<b>\$ 13,888,770</b>

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

TOWN OF BLACKSTONE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Recycling Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 1,038,938	\$ 206,368	\$ 1,245,306
Penalties and interest	124,446	-	124,446
Product sale	-	147,604	147,604
Total Operating Revenues	1,163,384	353,972	1,517,356
<b>Operating Expenses:</b>			
Operating expenses	1,057,566	344,148	1,401,714
Depreciation	299,277	69,140	368,417
Total Operating Expenses	1,356,843	413,288	1,770,131
Operating Income (Loss)	(193,459)	(59,316)	(252,775)
<b>Nonoperating Revenues (Expenses):</b>			
Interest expense	(415,588)	(3,617)	(419,205)
Total Nonoperating Revenues (Expenses), Net	(415,588)	(3,617)	(419,205)
Income (Loss) Before Transfers	(609,047)	(62,933)	(671,980)
<b>Transfers:</b>			
Transfers in	1,138,810	-	1,138,810
Total Transfers	1,138,810	-	1,138,810
Change in Net Position	529,763	(62,933)	466,830
Net Position at Beginning of Year	13,105,653	316,287	13,421,940
Net Position at End of Year	\$ 13,635,416	\$ 253,354	\$ 13,888,770

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

TOWN OF BLACKSTONE, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Recycling Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 701,047	\$ 353,972	\$ 1,055,019
Payments to vendors and employees	(1,176,922)	(327,111)	(1,504,033)
Net Cash Provided By Operating Activities	(475,875)	26,861	(449,014)
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Transfers, net	1,138,810	-	1,138,810
Net Cash Provided By (Used For) Noncapital Financing Activities	1,138,810	-	1,138,810
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition and construction of capital assets	(504,691)	(28,204)	(532,895)
Principal payments on bonds and notes	(774,001)	(75,800)	(849,801)
Interest expense	(415,588)	(3,617)	(419,205)
Net Cash (Used For) Capital and Related Financing Activities	(1,694,280)	(107,621)	(1,801,901)
Net Change in Cash and Short-Term Investments	(1,031,345)	(80,760)	(1,112,105)
Cash and Short-Term Investments, Beginning of Year	2,074,237	80,760	2,154,997
Cash and Short-Term Investments, End of Year	\$ 1,042,892	\$ -	\$ 1,042,892
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>			
Operating income (loss)	\$ (193,459)	\$ (59,316)	\$ (252,775)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	299,277	69,140	368,417
Changes in assets and liabilities:			
User fees	(462,337)	-	(462,337)
Warrants and accounts payable	(78,525)	(14,755)	(93,280)
Accrued liabilities	(4,733)	3,449	(1,284)
Due to other funds	-	26,629	26,629
Other liabilities	(36,098)	1,714	(34,384)
Net Cash Provided By (Used For) Operating Activities	\$ (475,875)	\$ 26,861	\$ (449,014)

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

TOWN OF BLACKSTONE, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and short-term investments	\$ 658,410
Accounts receivable	<u>1,987</u>
Total Assets	<u>\$ 660,397</u>
 <b><u>LIABILITIES</u></b>	
Other liabilities	\$ <u>660,397</u>
Total Liabilities	<u>\$ 660,397</u>

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

# TOWN OF BLACKSTONE, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

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

##### Government-wide Financial Statements

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

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

##### Fund Financial Statements

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

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

#### Government-wide Financial Statements

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

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

#### Fund Financial Statements

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

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital trust fund* is a special revenue fund used to pay debt service costs.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- The *Water/Sewer Fund* is used to account for the water and sewer activities of the Town.
- The *Recycling Fund* is used to account for the collection and recycling of goods by Town residents.

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

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

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

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

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

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

*F. Property Tax Limitations*

Legislation known as “Proposition 2 ½” 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 2013 tax levy reflected excess capacity of \$82,182.

*G. Inventories*

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

*H. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

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

K. Fund Equity

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).

- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

Net Position- Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, net of related debt, 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.

#### L. Use of Estimates

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

## 2. Stewardship, Compliance, and Accountability

### A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting,

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

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

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

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

***B. Budgetary Basis***

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

***C. Budget/GAAP Reconciliation***

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 17,000,501	\$ 15,442,185
Other financing sources/uses (GAAP Basis)	<u>1,934,724</u>	<u>3,094,553</u>
Subtotal (GAAP Basis)	18,935,225	18,536,738
Adjust tax revenue to accrual basis	25,288	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(138,922)
Add end-of-year appropriation carryforwards from expenditures	-	244,692
Recognize use of fund balance as funding source	1,317,683	-
Reverse the effect of non-budgeted activity	<u>10,155</u>	<u>997,965</u>
Budgetary Basis	<u>\$ 20,288,351</u>	<u>\$ 19,640,473</u>

### 3. Cash and Short-Term Investments

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

As of June 30, 2013, \$166,952 of the Town's bank balance of \$6,884,707 was exposed to custodial credit risk as uninsured or uncollateralized.

### 4. Investments

#### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts

General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-end</u>		
			<u>Aaa</u>	<u>A3</u>	<u>Not Rated</u>
Certificates of deposits	\$ 2,277	\$ 2,277	\$ -	\$ -	\$ -
Corporate bonds	869	-	-	869	-
Mutual funds	659	-	-	-	659
Federal agency securities	950	-	950	-	-
Mortgage-backed securities	199	-	-	-	199
Total investments	<u>\$ 4,954</u>	<u>\$ 2,277</u>	<u>\$ 950</u>	<u>\$ 869</u>	<u>\$ 858</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's policy for custodial credit risk is to mitigate the risk by the diversification and prudent selection of investment instruments, and choice of depository.

Of the Town's investment of \$4,954,194, the government has a custodial credit risk exposure of \$2,677,006 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 does not have an investment in one issuer greater than 5% of total investments.

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's formal investment policy mitigates this risk by diversification and prudent selection of investment instruments, and choice of depository.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt-related Securities:					
Certificates of deposits	\$ 2,277	\$ 742	\$ 1,535	\$ -	\$ -
Corporate bonds	869	200	669	-	-
Federal agency securities	950	-	950	-	-
Mortgage-backed securities	199	-	-	199	-
Total	<u>\$ 4,295</u>	<u>\$ 942</u>	<u>\$ 3,154</u>	<u>\$ 199</u>	<u>\$ -</u>

*E. Foreign Currency Risk*

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

**5. Taxes Receivable**

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

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

Taxes receivable at June 30, 2013 consist of the following (in thousands):

Real Estate		
2013	\$ 360	
2012	132	
2011	55	
2010	8	
2009	4	
Prior	<u>8</u>	567
Personal Property		
2013	4	
2012	2	
2011	2	
2010	1	
2009	1	
Prior	<u>7</u>	17
Tax Liens		<u>834</u>
Total		<u>\$ 1,418</u>

**6. Allowance for Doubtful Accounts**

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 884	\$ -
Excises	\$ 151	\$ -
Utilities	\$ -	\$ 23

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

**8. Loans Receivable**

In September 2001 the Town entered into a financing agreement with the Massachusetts Water Pollution Abatement Trust (MWPAT) for septic system replacement and betterments under the Title V loan program. The proceeds from this long-term debt obligation were loaned to eight residents of the Town

whose septic systems were in need of replacement and/or repair. The original amount of the loans to the homeowners was approximately \$75,402. The loans are to be repaid to the Town in accordance with the debt service requirements that the Town has with MWPAT. Accordingly, these loans are interest free and payable annually in the aggregate amount of \$4,194 through August 2019. The loans receivable are subject to an interest rate ranging from 5.25% to 5.5% if the loan becomes delinquent. At June 30, 2013 the total amount of the loans receivable under this septic system betterment program was \$11,295 and is being reported in the government-wide and fund financials.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 21,066	\$ 174,566	\$ -	\$ 195,632
Buildings and improvements	12,611,408	47,157	-	12,658,565
Infrastructure	15,532,170	492,522	-	16,024,692
Machinery, equipment, and furnishings	4,206,852	104,882	-	4,311,734
Vehicles	1,058,606	-	-	1,058,606
Total capital assets, being depreciated	33,430,102	819,127	-	34,249,229
Less accumulated depreciation for:				
Land improvements	3,686	5,417	-	9,103
Buildings and improvements	6,360,232	301,035	-	6,661,267
Infrastructure	7,822,066	490,978	-	8,313,044
Machinery, equipment, and furnishings	3,146,628	140,570	-	3,287,198
Vehicles	678,188	154,508	-	832,696
Total accumulated depreciation	18,010,800	1,092,508	-	19,103,308
Total capital assets, being depreciated, net	15,419,302	(273,381)	-	15,145,921
Capital assets, not being depreciated:				
Land	3,959,191	-	-	3,959,191
Construction in progress	87,068	10,024	(10,862)	86,230
Total capital assets, not being depreciated	4,046,259	10,024	(10,862)	4,045,421
Governmental activities capital assets, net	<u>\$ 19,465,561</u>	<u>\$ (263,357)</u>	<u>\$ (10,862)</u>	<u>\$ 19,191,342</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,959,482	\$ -	\$ -	\$ 2,959,482
Machinery, equipment, and furnishings	492,398	-	-	492,398
Infrastructure	22,533,345	5,590	-	22,538,935
Vehicles	449,139	-	-	449,139
	<u>26,434,364</u>	<u>5,590</u>	<u>-</u>	<u>26,439,954</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	969,643	71,784	-	1,041,427
Machinery, equipment, and furnishings	394,911	55,436	-	450,347
Infrastructure	3,352,179	211,344	-	3,563,523
Vehicles	315,657	29,853	-	345,510
	<u>5,032,390</u>	<u>368,417</u>	<u>-</u>	<u>5,400,807</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	21,401,974	(362,827)	-	21,039,147
Capital assets, not being depreciated:				
Land	160,322	-	-	160,322
Construction in progress	573,773	527,305	-	1,101,078
	<u>734,095</u>	<u>527,305</u>	<u>-</u>	<u>1,261,400</u>
Total capital assets, not being depreciated				
Business-type activities capital assets, net	<u>\$ 22,136,069</u>	<u>\$ 164,478</u>	<u>\$ -</u>	<u>\$ 22,300,547</u>

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

Governmental Activities:	
General government	\$ 75,636
Public safety	178,816
Education	121,568
Public works	546,116
Health and human services	6,177
Culture and recreation	<u>164,195</u>
Total depreciation expense - governmental activities	<u>\$ 1,092,508</u>
Business-Type Activities:	
Water/Sewer	\$ 299,277
Recycling	<u>69,140</u>
Total depreciation expense - business-type activities	<u>\$ 368,417</u>

**10. Warrants Payable**

Warrants payable represent 2013 expenditures paid by July 15, 2013.

**11. Anticipation Notes Payable**

The following summarizes activity in notes payable during fiscal year 2013:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Vehicle	\$ 50,000	\$ -	\$ (50,000)	\$ -
Total	\$ 50,000	\$ -	\$ (50,000)	\$ -

**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:

<u>Governmental Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/13
Public Way	11/01/14	4.00 - 5.50%	\$ 85,000
Fire Truck	09/22/16	2.70%	240,000
Land Acquisition refunding	10/15/17	2.00 - 3.00%	99,000
Septic System Betterment	08/01/19	4.01 - 5.75%	29,181
Building Construction - Library	11/01/21	2.00 - 4.40%	85,000
Building Construction - Library	11/01/22	2.00 - 4.50%	<u>1,460,000</u>
Total Governmental Activities:			\$ <u>1,998,181</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/13</u>
Storage Tank Construction	11/01/15	4.00 - 5.50%	\$ 284,650
Recycling Bailer	12/15/16	2.75%	103,200
Refunding bond	10/15/20	2.00 - 3.00%	941,000
Storage Tank Construction	11/01/20	3.00 - 5.50%	200,000
Water Mains	11/01/20	3.00 - 5.50%	160,000
Sewer	11/01/22	2.00 - 4.50%	250,000
Storage Tank Construction	11/01/22	2.00 - 4.50%	350,000
Sewer	11/01/24	3.00 - 5.50%	3,595,000
Sewer	08/13/29	4.25%	578,777
Storage Tank Construction	10/13/29	4.75%	45,000
Water Treatment Facility	10/13/29	5.00%	616,810
Sewer	08/13/31	4.25%	340,670
Sewer	08/13/31	4.25%	203,565
Water Mains	10/13/39	5.00%	536,185
Sewer	02/14/45	4.125%	1,174,312
Sewer	02/14/45	4.125%	<u>567,110</u>
Total Business-Type Activities:			<u>\$ 9,946,279</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 290,223	\$ 72,952	\$ 363,175
2015	284,223	62,032	346,255
2016	239,147	52,822	291,969
2017	238,147	44,444	282,591
2018	178,147	36,626	214,773
2019 - 2023	<u>768,294</u>	<u>82,529</u>	<u>850,823</u>
Total	<u>\$ 1,998,181</u>	<u>\$ 351,405</u>	<u>\$ 2,349,586</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 784,801	\$ 390,573	\$ 1,175,374
2015	780,801	355,717	1,136,518
2016	770,801	321,223	1,092,024
2017	746,801	289,929	1,036,730
2018	721,001	263,290	984,291
2019 - 2023	3,255,005	945,888	4,200,893
2024 - 2028	1,435,005	460,053	1,895,058
2029 - 2033	660,077	242,333	902,410
Thereafter	791,987	202,867	994,854
Total	<u>\$ 9,946,279</u>	<u>\$ 3,471,873</u>	<u>\$ 13,418,152</u>

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

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/12</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/13</u>	Less Current <u>Portion</u>	Equals Long-Term Portion <u>6/30/13</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 2,294	\$	\$ (296)	\$ 1,998	\$ (290)	\$ 1,708
Other:						
Bond issuance premium	39	-	(39)	-	-	-
Compensated absences	452	22	-	474	(47)	427
Totals	<u>\$ 2,785</u>	<u>\$ 22</u>	<u>\$ (335)</u>	<u>\$ 2,472</u>	<u>\$ (337)</u>	<u>\$ 2,135</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 10,746	\$ -	\$ (800)	\$ 9,946	\$ (785)	\$ 9,161
Other:						
Bond issuance premium	38	-	(38)	-	-	-
Compensated absences	83	5	-	88	(9)	79
Totals	<u>\$ 10,867</u>	<u>\$ 5</u>	<u>\$ (838)</u>	<u>\$ 10,034</u>	<u>\$ (794)</u>	<u>\$ 9,240</u>

**13. Deferred Inflows of Resources**

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

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred inflows of resources account is equal to the total of all June 30, 2013 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

#### **14. 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 are 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.

Proprietary fund net investment in capital assets includes water and sewer related capital project fund balances totaling approximately \$500,000.

#### **15. 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, 2013:

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

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

Following is a breakdown of the Town's fund balances at June 30, 2013:

	<u>General Fund</u>	<u>Capital Trust Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Restricted</b>				
Bonded projects	\$ -	\$ -	\$ 1,721	\$ 1,721
Ambulance	-	-	552,515	552,515
Cable Franchise	-	-	311,333	311,333
Grants	-	-	85,445	85,445
Other special revenue funds	-	-	318,118	318,118
Expendable permanent funds	-	-	4,310	4,310
<b>Total Restricted</b>	<b>-</b>	<b>-</b>	<b>1,273,442</b>	<b>1,273,442</b>
<b>Committed</b>				
Capital reserve funds	-	2,233,257	-	2,233,257
Special Articles	438,809	-	-	438,809
<b>Total Committed</b>	<b>438,809</b>	<b>2,233,257</b>	<b>-</b>	<b>2,672,066</b>
<b>Assigned</b>				
For encumbrances:				
General government	79,183	-	-	79,183
Public safety	10,816	-	-	10,816
Public works	83,925	-	-	83,925
Health and human services	18,609	-	-	18,609
Culture and recreation	7,715	-	-	7,715
Employee benefits	5,464	-	-	5,464
For next year's expenditures	666,660	-	-	666,660
<b>Total Assigned</b>	<b>872,372</b>	<b>-</b>	<b>-</b>	<b>872,372</b>
<b>Unassigned</b>	<b>4,808,811</b>	<b>-</b>	<b>-</b>	<b>4,808,811</b>
<b>Total Unassigned</b>	<b>4,808,811</b>	<b>-</b>	<b>-</b>	<b>4,808,811</b>
<b>Total Fund Balance</b>	<b>\$ 6,119,992</b>	<b>\$ 2,233,257</b>	<b>\$ 1,273,442</b>	<b>\$ 9,626,691</b>

**16. Commitments and Contingencies**

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

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

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

The Town voted to accept the provisions of Chapter 32B, Section 9 of the Massachusetts General Laws to provide for healthcare and life insurance benefits to retirees, their dependents, or their survivors at the May 28, 2013 Annual Town Meeting. As a result, this will go into effect in fiscal year 2014 and there are no costs associated with these benefits included in the Town's fiscal year 2013 financial statements.

**18. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

*A. Plan Description*

The Town contributes to the Worcester Regional Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Worcester Regional Retirement System at 23 Midstate Drive, Suite #106, Auburn, MA 01501.

*B. Funding Policy*

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned

among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2013, 2012, and 2011 were \$438,197, \$357,362, and \$379,298, respectively, which were equal to its annual required contributions for each of these years. The payroll for employees covered by the System for the year ended June 30, 2013 was unavailable.

## **19. 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.

## **20. Tax Treaty Agreements**

ANP Blackstone Energy Company, LLC constructed a nominal 580 megawatt, combined cycle power plant on a site in the Town of Blackstone, Massachusetts. Under the provisions of the electric deregulation legislation enacted by Massachusetts in 1997, payment in lieu of taxes (PILOT) agreements between municipalities and power providers are allowed. The Town has acted under the law to establish a PILOT agreement with ANP. The agreement is effective July 1, 2006 and requires ANP to make payments to the Town in lieu of real and personal property taxes for a period of fourteen consecutive years commencing with the fiscal year ending June 30, 2007 and ending on June 30, 2020. Annual payments are to be remitted to the Town in four quarterly installments on or before August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup>, and May 1<sup>st</sup>. The parties agree that the PILOT will not be reduced on account of depreciation, and the parties agree that it will be increased on account of inflation. The annual payment may be adjusted if ANP makes any capital improvements to the Project or adds additional personal property to the Project or retires any property from the Project subsequent to July 1, 2006. The adjustment to the PILOT will be determined in accordance with the provisions of paragraph 3 of the agreement at a rate of \$15.47 per \$1,000. This agreement is binding upon the successors and assigns of ANP. The Town received the required payment of \$2.2 million in revenue from ANP during the fiscal year ending June 30, 2013.

## **21. Capital Investment Fund**

In connection with the ANP PILOT agreement noted above, the Town established, under Chapter 9 of the Acts of 2001, a Capital Investment Fund. The

Town is required to deposit 90% of the PILOT payment into the Capital Investment Fund. Amounts deposited into this fund may be appropriated by two-thirds vote at an annual or special town meeting and used for any purpose for which the Town may incur debt, pay debt service, or be transferred to the stabilization fund. Furthermore, the fund may be expended for emergency purposes by vote of the Board of Selectmen and approval by the Director of Accounts of the Department of Revenue.

**22. Beginning Net Position Restatement**

The beginning (July 1, 2012) net position of the Town has been restated as follows:

Fund Basis Financial Statements:

	<u>General Fund</u>	<u>Nonmajor Funds</u>
As previously reported	\$ 5,851,935	\$ 1,134,510
To correct Chapter 90 classification	<u>(130,430)</u>	<u>130,430</u>
As restated	<u>\$ 5,721,505</u>	<u>\$ 1,264,940</u>

**23. Implementation of New GASB Standards**

The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Worcester Regional Retirement System's actuarially accrued liability.

**TOWN OF BLACKSTONE, MASSACHUSETTS  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2013**

**WORCESTER REGIONAL RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)**

**Employees' Retirement System  
Schedule of Funding Progress**

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]
01/01/12	\$ 436,671,982	\$ 982,796,782	\$ 546,124,800	44.4%	\$ 238,952,079	228.5%
01/01/10	\$ 413,976,785	\$ 863,002,067	\$ 449,025,282	48.0%	\$ 241,992,607	185.6%

**Employees' Retirement System  
Schedule of Employer Contributions**

<u>System-Wide</u>				<u>Town of Blackstone, MA</u>	
Plan Year-end	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of System Contributions
12/31/12	\$ 35,056,320	\$ 35,056,320	100%	\$ 438,197	1.2%
12/31/11	\$ 33,072,000	\$ 33,072,000	100%	\$ 357,362	1.1%
12/31/10	\$ 31,199,999	\$ 31,199,999	100%	\$ 379,298	1.2%

See Independent Auditors' Report.