

TOWN OF BLACKSTONE, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2014

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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, 2014, 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, 2014, 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

April 8, 2015

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, 2014.

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, of which water/sewer is considered to be a major fund.

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 \$41,565,348 (i.e., net position), a change of \$511,430 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,522,314, a change of \$895,623 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,311,439 (including stabilization), a change of \$502,628 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$10,869,436, a change of \$(1,075,024) 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).

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 11,731	\$ 10,700	\$ 2,505	\$ 1,869	\$ 14,236	\$ 12,569
Capital assets	<u>19,089</u>	<u>19,191</u>	<u>22,253</u>	<u>22,301</u>	<u>41,342</u>	<u>41,492</u>
Total assets	30,820	29,891	24,758	24,170	55,578	54,061
Long-term liabilities outstanding	2,862	2,473	9,253	10,034	12,115	12,507
Other liabilities	<u>545</u>	<u>253</u>	<u>1,353</u>	<u>247</u>	<u>1,898</u>	<u>500</u>
Total liabilities	3,407	2,726	10,606	10,281	14,013	13,007
Net position:						
Net investment in capital assets	17,383	17,195	13,116	12,847	30,499	30,042
Restricted	1,098	1,273	-	-	1,098	1,273
Unrestricted	<u>8,932</u>	<u>8,697</u>	<u>1,036</u>	<u>1,042</u>	<u>9,968</u>	<u>9,739</u>
Total net position	<u>\$ 27,413</u>	<u>\$ 27,165</u>	<u>\$ 14,152</u>	<u>\$ 13,889</u>	<u>\$ 41,565</u>	<u>\$ 41,054</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 709	\$ 551	\$ 1,452	\$ 1,393	\$ 2,161	\$ 1,944
Operating grants and contributions	287	272	-	-	287	272
Capital grants and contributions	327	683	-	-	327	683
General revenues:						
Property taxes	12,801	12,325	-	-	12,801	12,325
Excises	994	970	-	-	994	970
Payment in lieu of taxes	2,151	2,188	-	-	2,151	2,188
Penalties and interest on taxes	134	114	66	124	200	238
Grants and contributions not restricted to specific programs	1,201	1,174	-	-	1,201	1,174
Investment income	92	18	-	-	92	18
Other	181	134	104	-	285	134
Total revenues	<u>18,877</u>	<u>18,429</u>	<u>1,622</u>	<u>1,517</u>	<u>20,499</u>	<u>19,946</u>
Expenses:						
General government	1,730	1,481	-	-	1,730	1,481
Public safety	2,596	2,511	-	-	2,596	2,511
Education	8,668	8,502	-	-	8,668	8,502
Public works	1,891	1,856	-	-	1,891	1,856
Human services	397	388	-	-	397	388
Culture and recreation	651	618	-	-	651	618
Employee benefits	1,754	903	-	-	1,754	903
Interest on long-term debt	69	78	-	-	69	78
Intergovernmental	41	41	-	-	41	41
Water and sewer	-	-	1,769	1,772	1,769	1,772
Recycling	-	-	422	417	422	417
Total expenses	<u>17,797</u>	<u>16,378</u>	<u>2,191</u>	<u>2,189</u>	<u>19,988</u>	<u>18,567</u>
Change in net assets before transfers	1,080	2,051	(569)	(672)	511	1,379
Transfers in (out)	<u>(832)</u>	<u>(1,139)</u>	<u>832</u>	<u>1,139</u>	<u>-</u>	<u>-</u>
Increase in net position	248	912	263	467	511	1,379
Net position - beginning 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>
Net position - end of year	<u>\$ 27,413</u>	<u>\$ 27,165</u>	<u>\$ 14,152</u>	<u>\$ 13,889</u>	<u>\$ 41,565</u>	<u>\$ 41,054</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 \$41,565,348, a change of \$511,430 from the prior year.

The largest portion of net position \$30,499,766 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 \$1,098,001 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$9,967,581 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 \$248,036. Key elements of this change are as follows (in thousands):

General fund operations, as discussed further in Section D	\$ 735
Non major fund expenditures and transfers out over revenues and transfers in	(186)
Current year revenues used for capital assets	995
Capital trust transfers in exceeding transfers out	347
Depreciation expense in excess of principal debt service	(807)
Increase in net OPEB obligation	(621)
Other	<u>(215)</u>
Total	<u>\$ 248</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$263,394. Key elements of this change are as follows (in thousands):

Water/Sewer operations	\$ 318
Recycling operations	<u>(55)</u>
Total	<u>\$ 263</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 \$10,522,314, a change of \$895,623 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	\$ 735
Capital trust transfers in exceeding transfers out	347
Other fund expenditures over revenues	<u>(186)</u>
Total	<u>\$ 896</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 \$5,311,439, while total fund balance was \$6,854,865. 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>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 5,311,439	\$ 4,808,811	\$ 502,628	31.9%
Total fund balance	\$ 6,854,865	\$ 6,119,992	\$ 734,873	41.2%

¹ Includes stabilization fund.

The total fund balance of the general fund changed by \$734,873 during the current fiscal year. Key factors in this change are as follows (in thousands):

Use of free cash as a funding source	\$ (1,095)
Revenues in excess of budget	579
Expenditures less than budget	436
Current year encumbrances exceeding expenditures of prior year encumbrances	321
Change in stabilization	330
Other	<u>164</u>
Total	<u>\$ 735</u>

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

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
General stabilization	\$ <u>3,255,938</u>	\$ <u>2,925,595</u>	\$ <u>330,343</u>
Total	\$ <u><u>3,255,938</u></u>	\$ <u><u>2,925,595</u></u>	\$ <u><u>330,343</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 \$1,035,640, a change of \$(6,353) 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 \$141,250. The reason for these amendments was to pay prior year bills and fund the snow and ice deficit. 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 \$41,342,024 (net of accumulated depreciation), a change of \$(149,865) 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 construction	\$ 17
Park improvements	96
Recycling equipment	106
Water and sewer equipment	219
Governmental vehicles and equipment	391
Road Repairs	507
Depreciation	<u>(1,486)</u>
Total:	\$ <u><u>(150)</u></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 \$10,869,436, 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 \$3,255,938 at the end of fiscal 2014. Budgeting has been conservative and expenditures have been adjusted to reflect weaker revenues from local receipts and state aid. The fiscal 2015 budget totals \$22,513,338, an increase of 5.4% 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 the end of fiscal 2014, the unemployment rate for Blackstone dropped from 10.5% to 7.8%.

The total value of the Real & Personal Property of the Town of Blackstone is \$814,952,499. This value increased from Fiscal 2014 by 0.88%. The average assessed value of a single family home increased from \$233,944 in Fiscal 2014 to \$235,803 in Fiscal 2015, an increase of 0.79%. The Fiscal 2015 Tax Rate was set at \$19.48. 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 2015 is \$4,596, an increase of 4.16% over Fiscal 2014.

The Town of Blackstone increased its bond rating 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, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 4,797,308	\$ 1,920,728	\$ 6,718,036
Investments	6,023,531	-	6,023,531
Receivables, net of allowance for uncollectibles:			
Property taxes	429,890	-	429,890
Excises	77,438	-	77,438
User fees	-	554,176	554,176
Departmental and other	282,607	30,473	313,080
Intergovernmental	60,179	-	60,179
Internal balances	49,742	49,742	99,484
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Loans	10,354	-	10,354
Capital Assets:			
Land and construction in progress	4,047,198	186,152	4,233,350
Other assets, net of accumulated depreciation	<u>15,042,226</u>	<u>22,066,448</u>	<u>37,108,674</u>
TOTAL ASSETS	30,820,473	24,807,719	55,628,192
LIABILITIES			
Current:			
Warrants payable	294,443	41,091	335,534
Accounts payable	-	91,931	91,931
Notes payable	-	1,007,000	1,007,000
Accrued liabilities	98,131	162,663	260,794
Tax refunds payable	152,146	-	152,146
Current portion of long-term liabilities:			
Bonds payable	284,223	780,801	1,065,024
Other liabilities	84,332	9,191	93,523
Noncurrent:			
Bonds payable, net of current portion	1,423,735	8,380,677	9,804,412
Other liabilities, net of current portion	448,543	82,717	531,260
Net OPEB obligation	<u>621,736</u>	<u>-</u>	<u>621,736</u>
TOTAL LIABILITIES	3,407,289	10,556,071	13,963,360
NET POSITION			
Net investment in capital assets	17,383,242	13,116,524	30,499,766
Restricted for:			
Grants and other statutory restrictions	1,098,001	-	1,098,001
Unrestricted	<u>8,931,941</u>	<u>1,035,640</u>	<u>9,967,581</u>
TOTAL NET POSITION	\$ <u>27,413,184</u>	\$ <u>14,152,164</u>	\$ <u>41,565,348</u>

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

TOWN OF BLACKSTONE, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 1,730,306	\$ 88,454	\$ 28,129	\$ -	\$ (1,613,723)	\$ -	\$ (1,613,723)
Public safety	2,596,259	424,498	17,823	-	(2,153,938)	-	(2,153,938)
Education	8,667,887	38,035	83,616	-	(8,546,236)	-	(8,546,236)
Public works	1,890,720	110,940	-	326,988	(1,452,792)	-	(1,452,792)
Health and human services	397,075	40,248	111,797	-	(245,030)	-	(245,030)
Culture and recreation	650,490	6,399	45,470	-	(598,621)	-	(598,621)
Employee benefits	1,753,492	-	-	-	(1,753,492)	-	(1,753,492)
Interest	69,281	-	-	-	(69,281)	-	(69,281)
Intergovernmental	41,103	-	-	-	(41,103)	-	(41,103)
Total Governmental Activities	17,796,613	708,574	286,835	326,988	(16,474,216)	-	(16,474,216)
Business-Type Activities:							
Water/Sewer services	1,769,103	1,097,659	-	-	-	(671,444)	(671,444)
Recycling services	422,158	355,000	-	-	-	(67,158)	(67,158)
Total Business-Type Activities	2,191,261	1,452,659	-	-	-	(738,602)	(738,602)
Total	\$ 19,987,874	\$ 2,161,233	\$ 286,835	\$ 326,988	(16,474,216)	(738,602)	(17,212,818)
General Revenues and Transfers:							
Property taxes					12,800,732	-	12,800,732
Excises					994,471	-	994,471
Payment in lieu of taxes					2,150,704	-	2,150,704
Penalties, interest and other taxes					134,249	65,726	199,975
Grants and contributions not restricted to specific programs					1,201,265	-	1,201,265
Investment income					92,222	-	92,222
Miscellaneous					180,677	104,202	284,879
Transfers, net					(832,068)	832,068	-
Total general revenues and transfers					16,722,252	1,001,996	17,724,248
Change in Net Position					248,036	263,394	511,430
Net Position:							
Beginning of year					27,165,148	13,888,770	41,053,918
End of year					\$ 27,413,184	\$ 14,152,164	\$ 41,565,348

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

TOWN OF BLACKSTONE, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	<u>Capital Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 3,760,919	\$ -	\$ 1,036,389	\$ 4,797,308
Investments	3,443,282	2,580,249	-	6,023,531
Receivables:				
Property taxes	1,326,664	-	-	1,326,664
Excises	221,713	-	-	221,713
Loans receivable	-	-	10,354	10,354
Departmental and other	-	-	282,607	282,607
Intergovernmental	-	-	60,179	60,179
Due from other funds	<u>49,742</u>	<u>-</u>	<u>-</u>	<u>49,742</u>
TOTAL ASSETS	<u>\$ 8,802,320</u>	<u>\$ 2,580,249</u>	<u>\$ 1,389,529</u>	<u>\$ 12,772,098</u>
LIABILITIES				
Warrants payable	\$ 275,243	\$ -	\$ 19,200	\$ 294,443
Tax refunds payable	152,146	-	-	152,146
Accrued liabilities	<u>85,477</u>	<u>-</u>	<u>522</u>	<u>85,999</u>
TOTAL LIABILITIES	512,866	-	19,722	532,588
DEFERRED INFLOWS OF RESOURCES	1,434,589	-	282,607	1,717,196
FUND BALANCES				
Restricted	-	-	1,098,001	1,098,001
Committed	785,976	2,580,249	-	3,366,225
Assigned	757,450	-	-	757,450
Unassigned	<u>5,311,439</u>	<u>-</u>	<u>(10,801)</u>	<u>5,300,638</u>
TOTAL FUND BALANCES	<u>6,854,865</u>	<u>2,580,249</u>	<u>1,087,200</u>	<u>10,522,314</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 8,802,320</u>	<u>\$ 2,580,249</u>	<u>\$ 1,389,529</u>	<u>\$ 12,772,098</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, 2014

Total governmental fund balances	\$ 10,522,314
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,089,424
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	676,147
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(12,132)
<ul style="list-style-type: none">• Future expenditures related to providing other post employment benefits (OPEB's) are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(621,736)
<ul style="list-style-type: none">• 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>(2,240,833)</u>
Net position of governmental activities	<u>\$ 27,413,184</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, 2014

	<u>General</u>	<u>Capital Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 12,948,600	\$ -	\$ -	\$ 12,948,600
Excises	1,089,812	-	-	1,089,812
PILOT	2,150,704	-	-	2,150,704
Penalties, interest, and other taxes	134,249	-	-	134,249
Charges for services	75,169	-	327,080	402,249
Intergovernmental	1,368,593	-	371,963	1,740,556
Licenses and permits	153,170	-	-	153,170
Fines and forfeitures	67,522	-	-	67,522
Contributions and donations	-	-	75,055	75,055
Investment income	53,469	38,587	166	92,222
Miscellaneous	<u>24,246</u>	<u>-</u>	<u>156,431</u>	<u>180,677</u>
Total Revenues	18,065,534	38,587	930,695	19,034,816
Expenditures:				
Current:				
General government	1,565,198	-	89,399	1,654,597
Public safety	2,503,629	-	34,226	2,537,855
Education	8,539,300	-	7,019	8,546,319
Public works	1,596,680	-	466,589	2,063,269
Health and human services	370,860	-	20,038	390,898
Culture and recreation	518,572	-	61,083	579,655
Employee benefits	1,131,756	-	-	1,131,756
Debt service	361,673	-	-	361,673
Intergovernmental	<u>41,103</u>	<u>-</u>	<u>-</u>	<u>41,103</u>
Total Expenditures	<u>16,628,771</u>	<u>-</u>	<u>678,354</u>	<u>17,307,125</u>
Excess of revenues over expenditures	1,436,763	38,587	252,341	1,727,691
Other Financing Sources (Uses):				
Transfers in	2,321,518	1,923,902	187,437	4,432,857
Transfers out	<u>(3,023,408)</u>	<u>(1,615,497)</u>	<u>(626,020)</u>	<u>(5,264,925)</u>
Total Other Financing Sources (Uses)	<u>(701,890)</u>	<u>308,405</u>	<u>(438,583)</u>	<u>(832,068)</u>
Change in fund balance	734,873	346,992	(186,242)	895,623
Fund Equity, at Beginning of Year	<u>6,119,992</u>	<u>2,233,257</u>	<u>1,273,442</u>	<u>9,626,691</u>
Fund Equity, at End of Year	<u>\$ 6,854,865</u>	<u>\$ 2,580,249</u>	<u>\$ 1,087,200</u>	<u>\$ 10,522,314</u>

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, 2014

Net changes in fund balances - total governmental funds	\$ 895,623												
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">995,464</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,097,382)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(158,099)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">290,223</td> </tr> </table> • 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;">2,169</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(679,962)</u></td> </tr> </table> 		Capital outlay purchases	995,464	Depreciation	(1,097,382)		(158,099)	Repayments of debt	290,223		2,169		<u>(679,962)</u>
Capital outlay purchases	995,464												
Depreciation	(1,097,382)												
	(158,099)												
Repayments of debt	290,223												
	2,169												
	<u>(679,962)</u>												
Change in net position of governmental activities	\$ <u><u>248,036</u></u>												

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, 2014

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 12,795,980	\$ 12,795,980	\$ 12,795,980	\$ -
Excise taxes	775,000	775,000	1,089,812	314,812
Interest, penalties, and other taxes	60,854	60,854	134,249	73,395
Licenses and permits	115,000	115,000	153,170	38,170
Intergovernmental	1,365,313	1,365,313	1,368,593	3,280
Charges for services	25,000	25,000	75,169	50,169
Investment income	35,000	35,000	10,013	(24,987)
Fines and forfeitures	35,000	35,000	67,522	32,522
PILOT	2,146,765	2,146,765	2,150,704	3,939
Miscellaneous	10,000	10,000	24,246	14,246
Transfers in	<u>2,248,120</u>	<u>2,248,120</u>	<u>2,321,518</u>	<u>73,398</u>
Total Revenues and Transfers	19,612,032	19,612,032	20,190,976	578,944
Expenditures and other uses:				
Current:				
General government	1,789,185	1,737,530	1,517,374	220,156
Public safety	2,741,067	2,760,976	2,745,350	15,626
Education	8,636,982	8,636,982	8,539,300	97,682
Public works	1,543,099	1,631,011	1,571,839	59,172
Health and human services	423,870	453,870	435,844	18,026
Culture and recreation	606,740	615,851	611,278	4,573
Employee benefits	1,139,546	1,185,519	1,126,292	59,227
Intergovernmental	42,039	42,039	41,103	936
Debt service	366,673	366,673	361,673	5,000
Transfers out	<u>3,265,718</u>	<u>3,265,718</u>	<u>3,310,295</u>	<u>(44,577)</u>
Total Expenditures and Transfers	<u>20,554,919</u>	<u>20,696,169</u>	<u>20,260,348</u>	<u>435,821</u>
Excess (deficiency) of revenues and transfers over expenditures and transfers	(942,887)	(1,084,137)	(69,372)	1,014,765
Other Financing Sources and Uses:				
Use of fund balance	953,547	1,094,797	-	(1,094,797)
Other uses	<u>(10,660)</u>	<u>(10,660)</u>	<u>-</u>	<u>10,660</u>
Total Other Financing Sources	<u>942,887</u>	<u>1,084,137</u>	<u>-</u>	<u>(1,084,137)</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(69,372)</u>	\$ <u>(69,372)</u>

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

TOWN OF BLACKSTONE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Recycling Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 1,920,728	\$ -	\$ 1,920,728
User fees, net of allowance for uncollectibles	554,176	-	554,176
Other assets	-	30,473	30,473
Total current assets	2,474,904	30,473	2,505,377
Noncurrent:			
Capital assets, net of accumulated depreciation	21,778,675	473,925	22,252,600
Total noncurrent assets	21,778,675	473,925	22,252,600
TOTAL ASSETS	24,253,579	504,398	24,757,977
LIABILITIES			
Current:			
Warrants payable	36,280	4,811	41,091
Accounts payable	91,931	-	91,931
Accrued liabilities	151,378	11,285	162,663
Due to other funds	-	49,742	49,742
Notes payable	882,000	125,000	1,007,000
Current portion of long-term liabilities:			
Bonds payable	755,001	25,800	780,801
Other liabilities	5,412	3,779	9,191
Total current liabilities	1,922,002	220,417	2,142,419
Noncurrent:			
Bonds payable, net of current portion	8,329,077	51,600	8,380,677
Other liabilities, net of current portion	48,708	34,009	82,717
Total noncurrent liabilities	8,377,785	85,609	8,463,394
TOTAL LIABILITIES	10,299,787	306,026	10,605,813
NET POSITION			
Net investment in capital assets	12,825,507	291,017	13,116,524
Unrestricted	1,128,285	(92,645)	1,035,640
TOTAL NET POSITION	\$ 13,953,792	\$ 198,372	\$ 14,152,164

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, 2014

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Recycling Fund	Total
Operating Revenues:			
Charges for services	\$ 1,097,659	\$ 197,234	\$ 1,294,893
Penalties and interest	65,726	-	65,726
Product sale	-	157,766	157,766
Total Operating Revenues	1,163,385	355,000	1,518,385
Operating Expenses:			
Operating expenses	1,061,361	360,707	1,422,068
Depreciation	329,625	58,968	388,593
Total Operating Expenses	1,390,986	419,675	1,810,661
Operating Income (Loss)	(227,601)	(64,675)	(292,276)
Nonoperating Revenues (Expenses):			
Miscellaneous revenue	102,700	1,502	104,202
Interest expense	(378,117)	(2,483)	(380,600)
Total Nonoperating Revenues (Expenses), Net	(275,417)	(981)	(276,398)
Income (Loss) Before Transfers	(503,018)	(65,656)	(568,674)
Transfers:			
Transfers in	1,088,831	10,674	1,099,505
Transfers out	(267,437)	-	(267,437)
Total Transfers	821,394	10,674	832,068
Change in Net Position	318,376	(54,982)	263,394
Net Position at Beginning of Year	13,635,416	253,354	13,888,770
Net Position at End of Year	\$ 13,953,792	\$ 198,372	\$ 14,152,164

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, 2014

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>		
	<u>Water/Sewer</u> <u>Fund</u>	<u>Recycling</u> <u>Fund</u>	<u>Total</u>
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 1,435,272	\$ 355,000	\$ 1,790,272
Payments to vendors and employees	<u>(991,274)</u>	<u>(358,385)</u>	<u>(1,349,659)</u>
Net Cash Provided By Operating Activities	443,998	(3,385)	440,613
<u>Cash Flows From Noncapital Financing Activities:</u>			
Miscellaneous income	102,700	1,502	104,202
Transfers, net	<u>821,394</u>	<u>10,674</u>	<u>832,068</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	924,094	12,176	936,270
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(235,138)	(105,508)	(340,646)
Proceeds of bonds and notes	882,000	125,000	1,007,000
Principal payments on bonds and notes	(759,001)	(25,800)	(784,801)
Interest expense	<u>(378,117)</u>	<u>(2,483)</u>	<u>(380,600)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(490,256)</u>	<u>(8,791)</u>	<u>(499,047)</u>
Net Change in Cash and Short-Term Investments	877,836	-	877,836
Cash and Short-Term Investments, Beginning of Year	<u>1,042,892</u>	<u>-</u>	<u>1,042,892</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,920,728</u>	<u>\$ -</u>	<u>\$ 1,920,728</u>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ (227,601)	\$ (64,675)	\$ (292,276)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	329,625	58,968	388,593
Changes in assets and liabilities:			
User fees	271,887	-	271,887
Other assets	-	(30,473)	(30,473)
Warrants and accounts payable	75,878	47	75,925
Accrued liabilities	(8,368)	7,836	(532)
Due to other funds	-	23,113	23,113
Other liabilities	<u>2,577</u>	<u>1,799</u>	<u>4,376</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 443,998</u>	<u>\$ (3,385)</u>	<u>\$ 440,613</u>

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

TOWN OF BLACKSTONE, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ 696,615
Accounts receivable	<u>15,328</u>
Total Assets	<u>\$ 711,943</u>
 <u>LIABILITIES</u>	
Other liabilities	\$ <u>711,943</u>
Total Liabilities	<u>\$ 711,943</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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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.

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 guar-

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

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

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2014 tax levy reflected excess capacity of \$120,878.

G. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

H. 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.

I. 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

J. 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.

K. 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.

L. 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.

M. 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)	\$ 18,065,534	\$ 16,628,771
Other financing sources/uses (GAAP Basis)	<u>2,321,518</u>	<u>3,023,408</u>
Subtotal (GAAP Basis)	20,387,052	19,652,179
Adjust tax revenue to accrual basis	(152,620)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(221,720)
Add end-of-year appropriation carryforwards from expenditures	-	543,002
Reverse the effect of non-budgeted activity	<u>(43,456)</u>	<u>286,887</u>
Budgetary Basis	<u>\$ 20,190,976</u>	<u>\$ 20,260,348</u>

D. Deficit Fund Equity

The following funds reflected deficit balances as of June 30, 2014:

Water meter capital project	\$ (169,761)
Recycling equipment capital project	(105,508)
Water tank painting capital project	(25,830)
Dispatch grant	<u>(10,801)</u>
Total	<u>\$ (311,900)</u>

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - 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, 2014, none of the Town’s bank balance of \$7,666,970 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	\$ 1,938	\$ 1,938	\$ -	\$ -	\$ -
Corporate bonds	875	-	-	875	-
Mutual funds	361	-	-	-	361
Federal agency securities	2,081	-	2,081	-	-
Mortgage-backed securities	136	-	-	-	136
Equities	632	-	-	-	632
Total investments	<u>\$ 6,023</u>	<u>\$ 1,938</u>	<u>\$ 2,081</u>	<u>\$ 875</u>	<u>\$ 1,129</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 \$6,023,531, the government has a custodial credit risk exposure of \$4,085,451 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 other than Federal Agency Securities.

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	\$ 1,938	\$ 246	\$ 1,692	\$ -	\$ -
Corporate bonds	875	-	875	-	-
Federal agency securities	2,081	-	2,081	-	-
Mortgage-backed securities	136	-	136	-	-
Total	<u>\$ 5,030</u>	<u>\$ 246</u>	<u>\$ 4,784</u>	<u>\$ -</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, 2014 consist of the following (in thousands):

Real Estate		
2014	\$ 274	
2013	96	
2012	53	
2011	26	
2010	7	
Prior	<u>10</u>	
		466
Personal Property		
2014	2	
2013	2	
2012	2	
2011	2	
2010	1	
Prior	<u>8</u>	
		17
Tax Liens		<u>843</u>
Total		<u>\$ 1,326</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	\$ 897	\$ -
Excises	\$ 144	\$ -
Utilities	\$ -	\$ 41

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014.

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, 2014 the total amount of the loans receivable under this septic system betterment program was \$10,354 and is being reported in the government-wide and fund financials.

9. Interfund Fund Receivables/Payables

The following is an analysis of the June 30, 2014 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 49,742	\$ -
Enterprise Funds:		
Recycling	<u>-</u>	<u>49,742</u>
Total	<u>\$ 49,742</u>	<u>\$ 49,742</u>

10. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 195,632	\$ -	\$ -	\$ 195,632
Buildings and improvements	12,658,565	95,816	-	12,754,381
Infrastructure	16,024,692	506,966	-	16,531,658
Machinery, equipment, and furnishings	4,311,734	48,322	-	4,360,056
Vehicles	<u>1,058,606</u>	<u>342,583</u>	<u>-</u>	<u>1,401,189</u>
Total capital assets, being depreciated	34,249,229	993,687	-	35,242,916
Less accumulated depreciation for:				
Land improvements	9,103	9,782	-	18,885
Buildings and improvements	6,661,267	303,969	-	6,965,236
Infrastructure	8,313,044	496,173	-	8,809,217
Machinery, equipment, and furnishings	3,287,198	142,111	-	3,429,309
Vehicles	<u>832,696</u>	<u>145,347</u>	<u>-</u>	<u>978,043</u>
Total accumulated depreciation	<u>19,103,308</u>	<u>1,097,382</u>	<u>-</u>	<u>20,200,690</u>
Total capital assets, being depreciated, net	15,145,921	(103,695)	-	15,042,226
Capital assets, not being depreciated:				
Land	3,959,191	-		3,959,191
Construction in progress	<u>86,230</u>	<u>1,777</u>		<u>88,007</u>
Total capital assets, not being depreciated	<u>4,045,421</u>	<u>1,777</u>	<u>-</u>	<u>4,047,198</u>
Governmental activities capital assets, net	<u>\$ 19,191,342</u>	<u>\$ (101,918)</u>	<u>\$ -</u>	<u>\$ 19,089,424</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,959,482	\$ 79,361	\$ -	\$ 3,038,843
Machinery, equipment, and furnishings	492,398	298,319	-	790,717
Infrastructure	22,538,935	1,038,214	-	23,577,149
Vehicles	<u>449,139</u>	<u>-</u>	<u>-</u>	<u>449,139</u>
Total capital assets, being depreciated	26,439,954	1,415,894	-	27,855,848
Less accumulated depreciation for:				
Buildings and improvements	1,041,427	76,554	-	1,117,981
Machinery, equipment, and furnishings	450,347	64,105	-	514,452
Infrastructure	3,563,523	234,992	-	3,798,515
Vehicles	<u>345,510</u>	<u>12,942</u>	<u>-</u>	<u>358,452</u>
Total accumulated depreciation	<u>5,400,807</u>	<u>388,593</u>	<u>-</u>	<u>5,789,400</u>
Total capital assets, being depreciated, net	21,039,147	1,027,301	-	22,066,448
Capital assets, not being depreciated:				
Land	160,322	-	-	160,322
Construction in progress	<u>1,101,078</u>	<u>25,830</u>	<u>(1,101,078)</u>	<u>25,830</u>
Total capital assets, not being depreciated	<u>1,261,400</u>	<u>25,830</u>	<u>(1,101,078)</u>	<u>186,152</u>
Business-type activities capital assets, net	<u>\$ 22,300,547</u>	<u>\$ 1,053,131</u>	<u>\$ (1,101,078)</u>	<u>\$ 22,252,600</u>

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

Governmental Activities:	
General government	\$ 81,225
Public safety	169,087
Education	121,568
Public works	553,630
Health and human services	6,177
Culture and recreation	<u>165,695</u>
Total depreciation expense - governmental activities	<u>\$ 1,097,382</u>
Business-Type Activities:	
Water/Sewer	\$ 329,625
Recycling	<u>58,968</u>
Total depreciation expense - business-type activities	<u>\$ 388,593</u>

11. Warrants Payable

Warrants payable represent 2014 expenditures paid by July 15, 2014.

12. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

13. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2014:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/14</u>
Bond anticipation	0.60%	01/23/14	01/23/15	\$ <u>1,007,000</u>
Total				<u>\$ 1,007,000</u>

The following summarizes activity in notes payable during fiscal year 2014:

	Balance Beginning <u>of Year</u>	New <u>Issues</u>	<u>Maturities</u>	Balance End of <u>Year</u>
Water tank	\$ -	\$ 500,000	\$ -	\$ 500,000
Water meters	-	382,000	-	382,000
Recycling Equipment	-	125,000	-	125,000
Total	\$ -	\$ 1,007,000	\$ -	\$ 1,007,000

14. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2015. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2014:

	Fiscal <u>Year</u>	Capital <u>Leases</u>
	2015	\$ <u>36,522</u>
Total minimum lease payments		36,522
Less amounts representing interest		<u>(2,028)</u>
Present Value of Minimum Lease Payments		\$ <u>34,494</u>

15. 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 <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/14</u>
Public Way	11/01/14	4.00 - 5.50%	\$ 40,000
Fire Truck	09/22/16	2.70%	180,000
Land Acquisition refunding	10/15/17	2.00 - 3.00%	78,000
Septic System Betterment	08/01/19	4.01 - 5.75%	24,958
Building Construction - Library	11/01/21	2.00 - 4.40%	75,000
Building Construction - Library	11/01/22	2.00 - 4.50%	<u>1,310,000</u>
Total Governmental Activities:			\$ <u>1,707,958</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/14</u>
Storage Tank Construction	11/01/15	4.00 - 5.50%	\$ 267,905
Recycling Bailer	12/15/16	2.75%	77,400
Refunding bond	10/15/20	2.00 - 3.00%	807,000
Storage Tank Construction	11/01/20	3.00 - 5.50%	175,000
Water Mains	11/01/20	3.00 - 5.50%	140,000
Sewer	11/01/22	2.00 - 4.50%	225,000
Storage Tank Construction	11/01/22	2.00 - 4.50%	315,000
Sewer	11/01/24	3.00 - 5.50%	3,280,000
Sewer	08/13/29	4.25%	544,730
Storage Tank Construction	10/13/29	4.75%	30,000
Water Treatment Facility	10/13/29	5.00%	580,527
Sewer	08/13/31	4.25%	322,740
Sewer	08/13/31	4.25%	192,850
Water Mains	10/13/39	5.00%	516,325
Sewer	02/14/45	4.125%	1,137,614
Sewer	02/14/45	4.125%	549,387
Total Business-Type Activities:			<u>\$ 9,161,478</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	159,147	29,825	188,972
2020 - 2023	<u>609,147</u>	<u>52,704</u>	<u>661,851</u>
Total	<u>\$ 1,707,958</u>	<u>\$ 278,453</u>	<u>\$ 1,986,411</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	715,001	238,308	953,309
2020 - 2024	3,030,005	826,594	3,856,599
2025 - 2029	1,135,005	404,094	1,539,099
2030 - 2034	544,357	213,163	757,520
Thereafter	<u>717,706</u>	<u>168,981</u>	<u>886,687</u>
Total	<u>\$ 9,161,478</u>	<u>\$ 3,081,299</u>	<u>\$ 12,242,777</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities (in thousands):

	<u>Total</u>			<u>Total</u>		<u>Equals</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Less</u>	<u>Long-Term</u>
	<u>7/1/13</u>			<u>6/30/14</u>	<u>Current</u>	<u>Portion</u>
					<u>Portion</u>	<u>6/30/14</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 1,998	\$ -	\$ (290)	\$ 1,708	\$ (284)	\$ 1,424
Other:						
Capital leases	-	67	(32)	35	(35)	-
Compensated absences	474	24	-	498	(50)	448
Net OPEB obligation	-	648	(26)	622	-	622
Totals	<u>\$ 2,472</u>	<u>\$ 739</u>	<u>\$ (348)</u>	<u>\$ 2,863</u>	<u>\$ (369)</u>	<u>\$ 2,494</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 9,946	\$ -	\$ (785)	\$ 9,161	\$ (781)	\$ 8,380
Other:						
Compensated absences	88	4	-	92	(9)	83
Totals	<u>\$ 10,034</u>	<u>\$ 4</u>	<u>\$ (785)</u>	<u>\$ 9,253</u>	<u>\$ (790)</u>	<u>\$ 8,463</u>

16. 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, 2014 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

17. **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 \$130,000.

18. **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, 2014:

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, 2014:

	<u>General Fund</u>	<u>Capital Trust Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted				
Bonded projects	\$ -	\$ -	\$ 1,776	\$ 1,776
Ambulance	-	-	304,540	304,540
Cable franchise	-	-	366,341	366,341
Grants	-	-	44,430	44,430
Other special revenue funds	-	-	377,211	377,211
Expendable permanent funds	-	-	3,703	3,703
Total Restricted	-	-	1,098,001	1,098,001
Committed				
Capital reserve funds	-	2,580,249	-	2,580,249
Special articles	785,976	-	-	785,976
Total Committed	785,976	2,580,249	-	3,366,225
Assigned				
For encumbrances:				
General government	26,463	-	-	26,463
Public safety	4,666	-	-	4,666
Public works	63,750	-	-	63,750
Health and human services	13,506	-	-	13,506
Culture and recreation	22,615	-	-	22,615
For next year's expenditures	626,450	-	-	626,450
Total Assigned	757,450	-	-	757,450
Unassigned	5,311,439	-	(10,801)	5,300,638
Total Unassigned	5,311,439	-	(10,801)	5,300,638
Total Fund Balance	\$ 6,854,865	\$ 2,580,249	\$ 1,087,200	\$ 10,522,314

19. Subsequent Events

Debt

Subsequent to June 30, 2014, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation	\$ 1,007,000	0.45%	01/23/15	07/22/15

20. 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.

21. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

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

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's. As of July 1, 2013, the actuarial valuation date, approximately 1 retiree and 67 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, dental, 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 50% of the cost of the medical and dental health plans and 100% of the cost of the life insurance, 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 2014 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, 2014, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2013.

Annual Required Contribution (ARC)	\$ 648,443
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	648,443
Contributions made	(26,707)
Increase in net OPEB obligation	621,736
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 621,736

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 648,443	4.1%	\$ 621,736

The Town's net OPEB obligation as of June 30, 2014 is recorded as a long-term liability in the government-wide statements.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 5,984,408
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 5,984,408
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 3,763,098
UAAL as a percentage of covered payroll	159%

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

F. Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 7%, which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4%.

22. 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, 2014, 2013, and 2012 were \$558,402, \$438,197, and \$357,362, 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, 2014 was unavailable.

23. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the 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.

24. 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 1st, November 1st, February 1st, and May 1st. 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 \$2.1 million in revenue from ANP during the fiscal year ending June 30, 2014.

25. 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.

26. 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, 2014**

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 Percentage of Covered Payroll [(b-a)/c]
07/01/13	\$ -	\$ 5,984,408	\$ 5,984,408	0.0%	\$ 3,763,098	159.0%

**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 Percentage of Covered Payroll [(b-a)/c]
01/01/14	\$ 488,346,471	\$ 1,087,769,903	\$ 599,423,432	44.9%	\$ 252,829,591	237.1%
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**

Plan Year-end	System-Wide			Town of Blackstone, MA	
	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of System Contributions
12/31/13	\$ 37,510,266	\$ 37,510,266	100%	\$ 558,402	1.5%
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.