

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**Annual Financial Statements**

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

**Town of Blackstone, Massachusetts**

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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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 22 to the combined financial statements, the Town of Blackstone adopted GASB 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

*Melanson Heath*

May 11, 2016

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

As management of the Town, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015.

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

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, employee benefits, interest, and intergovernmental. 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 and recycling 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 and deferred outflows of resources exceeded liabilities by \$32,505,047 (i.e., net position), a change of \$571,164 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$11,240,112, a change of \$717,798 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,436,636 (including stabilization), a change of \$125,197 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$9,804,412, a change of \$(1,065,024) 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 12,337	\$ 11,731	\$ 2,215	\$ 2,505	\$ 14,552	\$ 14,236
Capital assets	18,687	19,089	22,361	22,253	41,048	41,342
Deferred outflows	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>
Total assets and deferred outflows	31,030	30,820	24,576	24,758	55,606	55,578
Long-term liabilities	12,922	2,862	8,458	9,253	21,380	12,115
Other liabilities	<u>505</u>	<u>545</u>	<u>1,216</u>	<u>1,353</u>	<u>1,721</u>	<u>1,898</u>
Total liabilities	13,427	3,407	9,674	10,606	23,101	14,013
Net position:						
Net investment in capital assets	17,265	17,383	13,591	13,116	30,856	30,499
Restricted	1,253	1,098	-	-	1,253	1,098
Unrestricted	<u>(914)</u>	<u>8,932</u>	<u>1,310</u>	<u>1,036</u>	<u>396</u>	<u>9,968</u>
Total net position	<u>\$ 17,604</u>	<u>\$ 27,413</u>	<u>\$ 14,901</u>	<u>\$ 14,152</u>	<u>\$ 32,505</u>	<u>\$ 41,565</u>

### CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 543	\$ 709	\$ 1,719	\$ 1,452	\$ 2,262	\$ 2,161
Operating grants and contributions	431	287	-	-	431	287
Capital grants and contributions	36	327	-	-	36	327
General revenues:						
Property taxes	13,669	12,801	-	-	13,669	12,801
Excises	1,062	994	-	-	1,062	994
Payment in lieu of taxes	2,161	2,151	-	-	2,161	2,151
Penalties and interest on taxes	159	134	96	66	255	200
Grants and contributions not restricted to specific programs	1,245	1,201	-	-	1,245	1,201
Investment income	80	92	-	-	80	92
Other	171	181	96	104	267	285
Total revenues	<u>19,557</u>	<u>18,877</u>	<u>1,911</u>	<u>1,622</u>	<u>21,468</u>	<u>20,499</u>
<b>Expenses:</b>						
General government	1,574	1,730	-	-	1,574	1,730
Public safety	2,697	2,596	-	-	2,697	2,596
Education	9,203	8,668	-	-	9,203	8,668
Public works	1,925	1,891	-	-	1,925	1,891
Health and Human services	424	397	-	-	424	397
Culture and recreation	654	651	-	-	654	651
Employee benefits	2,099	1,754	-	-	2,099	1,754
Interest on long-term debt	59	69	-	-	59	69
Intergovernmental	42	41	-	-	42	41
Water and sewer	-	-	1,797	1,769	1,797	1,769
Recycling	-	-	423	422	423	422
Total expenses	<u>18,677</u>	<u>17,797</u>	<u>2,220</u>	<u>2,191</u>	<u>20,897</u>	<u>19,988</u>
Change in net assets before transfers	880	1,080	(309)	(569)	571	511
Transfers in (out)	<u>(1,058)</u>	<u>(832)</u>	<u>1,058</u>	<u>832</u>	<u>-</u>	<u>-</u>
Increase in net position	(178)	248	749	263	571	511
Net position - beginning of year, as restated*	<u>17,782</u>	<u>27,165</u>	<u>14,152</u>	<u>13,889</u>	<u>31,934</u>	<u>41,054</u>
Net position - end of year	<u>\$ 17,604</u>	<u>\$ 27,413</u>	<u>\$ 14,901</u>	<u>\$ 14,152</u>	<u>\$ 32,505</u>	<u>\$ 41,565</u>

\* Restated from prior year as described in Note 26. Comparative balances for fiscal year 2014 as reported in the MD&A have not been restated.

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 \$32,505,047, a change of \$571,164 from the prior year.

The largest portion of net position \$30,856,629 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 \$1,253,150 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$395,268 may be used to meet the Town's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(178,313). Key elements of this change are as follows (in thousands):

General fund operations, as discussed further in Section D	\$ 1,318
Use of capital investment funds to fund enterprise debt service	(1,053)
Nonmajor fund revenues over expenditures	422
Current year revenues used for capital assets	732
Depreciation expense in excess of principal debt service	(850)
Increase in net OPEB obligation	(646)
Increase in net pension liability	(227)
Decrease in compensated absences liability	133
Other	<u>(7)</u>
Total	<u>\$ (178)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$749,477. Key elements of this change are as follows (in thousands):

Water/Sewer operations	\$ 744
Recycling operations	<u>5</u>
Total	<u>\$ 749</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 \$11,240,112, a change of \$717,798 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	\$ 141
Capital investment fund transfers in exceeding transfers out	411
Other fund revenues over expenditures	<u>166</u>
Total	<u>\$ 718</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 \$5,436,636, while total fund balance was \$6,995,856. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance <sup>1</sup>	\$ 5,436,636	\$ 5,311,439	\$ 125,197	31.0%
Total fund balance	\$ 6,995,856	\$ 6,854,865	\$ 140,991	39.8%

<sup>1</sup> Includes stabilization fund.

The total fund balance of the general fund changed by \$140,991 during the current fiscal year. Key factors in this change are as follows (in thousands):

Use of free cash as a funding source	\$ (843)
Revenues in excess of budget	572
Expenditures less than budget	418
Current year encumbrances exceeding expenditures of prior year encumbrances	48
Change in stabilization	(86)
Other	<u>32</u>
Total	<u>\$ 141</u>

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

	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>
General stabilization	\$ 3,170,330	\$ 3,255,938	\$ (85,608)

**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 \$1,310,088, a change of \$274,448 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 \$138,239. 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 \$41,048,497 (net of accumulated depreciation), a change of \$(293,527) 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 (in thousands):

Tank painting	\$ 287
Water and sewer vehicles and equipment	153
Public safety vehicles and equipment	504
Road Repairs	209
Other	63
Depreciation	<u>(1,510)</u>
Total:	<u>\$ (294)</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 \$9,804,412, 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.

**Credit rating.** During the fiscal year, the Town's AA+ credit rating remained unchanged by Standard and Poor's.

## **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 \$3,170,330 at the end of fiscal 2015. Budgeting has been conservative and expenditures have been adjusted to reflect weaker revenues from local receipts and state aid. The fiscal 2016 budget totals \$23,018,188, an increase of 2.24% over the prior year.

Income levels in the Town are good. Blackstone's unemployment rate continues to be slightly above that of the Commonwealth and the national average. As of the end of fiscal 2015, the unemployment rate for Blackstone dropped from 7.8% to 7.7%.

The total value of the Real & Personal Property of the Town of Blackstone is \$852,550,754. This value increased from Fiscal 2015 by 4.61%. The average assessed value of a single family home increased from \$235,803 in Fiscal 2015 to \$246,652 in Fiscal 2016, an increase of 4.6%. The Fiscal 2016 Tax Rate was set at \$19.34. 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 2016 is \$4,771, an increase of 3.8% over Fiscal 2015.

The Town of Blackstone maintained its bond rating of AA+.

TOWN OF BLACKSTONE, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 5,360,738	\$ 1,685,774	\$ 7,046,512
Investments	6,069,360	-	6,069,360
Receivables, net of allowance for uncollectibles:			
Property taxes	351,912	-	351,912
Excises	87,954	-	87,954
User fees	-	575,512	575,512
Departmental and other	254,423	122,214	376,637
Intergovernmental	35,234	-	35,234
Loans	941	-	941
Internal balances	168,700	(168,700)	-
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Loans	8,472	-	8,472
Capital assets, non-depreciable	4,053,154	186,152	4,239,306
Capital assets, net of accumulated depreciation	14,633,874	22,175,317	36,809,191
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,933</b>	<b>-</b>	<b>5,933</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>31,030,695</b>	<b>24,576,269</b>	<b>55,606,964</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	186,208	53,763	239,971
Accounts payable	30,724	-	30,724
Notes payable	-	1,007,000	1,007,000
Accrued liabilities	135,127	155,892	291,019
Tax refunds payable	152,919	-	152,919
Current portion of long-term liabilities:			
Bonds payable	239,147	770,801	1,009,948
Other liabilities	36,558	7,730	44,288
Noncurrent:			
Bonds payable, net of current portion	1,184,588	7,609,876	8,794,464
Other liabilities, net of current portion	329,019	69,566	398,585
Net OPEB obligation	1,268,170	-	1,268,170
Net pension liability	9,864,829	-	9,864,829
<b>TOTAL LIABILITIES</b>	<b>13,427,289</b>	<b>9,674,628</b>	<b>23,101,917</b>
<b>NET POSITION</b>			
Net investment in capital assets	17,265,076	13,591,553	30,856,629
Restricted for:			
Grants and other statutory restrictions	1,253,150	-	1,253,150
Unrestricted	(914,820)	1,310,088	395,268
<b>TOTAL NET POSITION</b>	<b>\$ 17,603,406</b>	<b>\$ 14,901,641</b>	<b>\$ 32,505,047</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, 2015

	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
<b>Governmental Activities:</b>						
General government	\$ 1,573,965	\$ 65,578	\$ -	\$ (1,441,148)	\$ -	\$ (1,441,148)
Public safety	2,697,270	68,183	-	(2,318,767)	-	(2,318,767)
Education	9,202,646	91,239	-	(9,111,407)	-	(9,111,407)
Public works	1,925,370	-	35,984	(1,755,097)	-	(1,755,097)
Health and human services	423,798	164,848	-	(234,685)	-	(234,685)
Culture and recreation	653,812	41,468	-	(605,258)	-	(605,258)
Employee benefits	2,099,470	-	-	(2,099,470)	-	(2,099,470)
Interest	58,656	-	-	(58,656)	-	(58,656)
Intergovernmental	42,371	-	-	(42,371)	-	(42,371)
<b>Total Governmental Activities</b>	<b>18,677,358</b>	<b>431,316</b>	<b>35,984</b>	<b>(17,666,859)</b>	<b>-</b>	<b>(17,666,859)</b>
<b>Business-Type Activities:</b>						
Water/Sewer services	1,797,076	-	-	-	(372,286)	(372,286)
Recycling services	423,098	-	-	-	(129,166)	(129,166)
<b>Total Business-Type Activities</b>	<b>2,220,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(501,452)</b>	<b>(501,452)</b>
<b>Total</b>	<b>\$ 20,897,532</b>	<b>\$ 431,316</b>	<b>\$ 35,984</b>	<b>(17,666,859)</b>	<b>(501,452)</b>	<b>(18,168,311)</b>
<b>General Revenues and Transfers:</b>						
Property taxes				13,668,808	-	13,668,808
Excises				1,062,125	-	1,062,125
Payment in lieu of taxes				2,160,462	-	2,160,462
Penalties, interest and other taxes				158,700	96,440	255,140
Grants and contributions not restricted to specific programs				1,244,788	-	1,244,788
Investment income				80,420	-	80,420
Miscellaneous				171,076	96,656	267,732
Transfers, net				(1,057,833)	1,057,833	-
<b>Total general revenues and transfers</b>				<b>17,488,546</b>	<b>1,250,929</b>	<b>18,739,475</b>
Change in Net Position				(178,313)	749,477	571,164
<b>Net Position:</b>						
Beginning of year, as restated				17,781,719	14,152,164	31,933,883
End of year				\$ 17,603,406	\$ 14,901,641	\$ 32,505,047

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

TOWN OF BLACKSTONE, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Investment Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 4,003,473	\$ 138,384	\$ 1,218,881	\$ 5,360,738
Investments	3,216,761	2,852,599	-	6,069,360
Receivables:				
Property taxes	1,218,518	-	-	1,218,518
Excises	238,396	-	-	238,396
Loans receivable	-	-	9,413	9,413
Departmental and other	-	-	254,423	254,423
Intergovernmental	-	-	35,234	35,234
Due from other funds	<u>168,700</u>	<u>-</u>	<u>-</u>	<u>168,700</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,845,848</u></b>	<b><u>\$ 2,990,983</u></b>	<b><u>\$ 1,517,951</u></b>	<b><u>\$ 13,354,782</u></b>
<b>LIABILITIES</b>				
Warrants payable	\$ 176,235	\$ -	\$ 9,973	\$ 186,208
Accounts payable	30,724	-	-	30,724
Tax refunds payable	152,919	-	-	152,919
Accrued liabilities	<u>124,812</u>	<u>-</u>	<u>282</u>	<u>125,094</u>
<b>TOTAL LIABILITIES</b>	<b>484,690</b>	<b>-</b>	<b>10,255</b>	<b>494,945</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,365,302</b>	<b>-</b>	<b>254,423</b>	<b>1,619,725</b>
<b>FUND BALANCES</b>				
Restricted	-	-	1,254,933	1,254,933
Committed	589,386	2,990,983	-	3,580,369
Assigned	969,834	-	-	969,834
Unassigned	<u>5,436,636</u>	<u>-</u>	<u>(1,660)</u>	<u>5,434,976</u>
<b>TOTAL FUND BALANCES</b>	<b><u>6,995,856</u></b>	<b><u>2,990,983</u></b>	<b><u>1,253,273</u></b>	<b><u>11,240,112</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b><u>\$ 8,845,848</u></b>	<b><u>\$ 2,990,983</u></b>	<b><u>\$ 1,517,951</u></b>	<b><u>\$ 13,354,782</u></b>

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

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

JUNE 30, 2015

<b>Total governmental fund balances</b>	<b>\$</b>	<b>11,240,112</b>
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> </ul>		18,687,028
<ul style="list-style-type: none"> <li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li> </ul>		602,677
<ul style="list-style-type: none"> <li>• Deferred outflows if reasources related to pensions resulting from projected vs. actual earnings will be recognized as an increase to the net pension liability in the years ending June 30, 2016 through June 30, 2019.</li> </ul>		5,933
<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>		(10,033)
<ul style="list-style-type: none"> <li>• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li> </ul>		
Bonds payable		(1,423,735)
Compensated absences		(365,577)
Net OPEB obligation		(1,268,170)
Net pension liability		<u>(9,864,829)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>17,603,406</u></b>

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, 2015

	General <u>Fund</u>	Capital Investment <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 13,724,610	\$ -	\$ -	\$ 13,724,610
Excises	1,051,609	-	-	1,051,609
PILOT	2,160,462	-	-	2,160,462
Penalties, interest, and other taxes	158,700	-	-	158,700
Charges for services	26,405	-	326,148	352,553
Intergovernmental	1,484,078	-	170,380	1,654,458
Licenses and permits	168,420	-	-	168,420
Fines and forfeitures	50,410	-	-	50,410
Contributions and donations	-	-	57,630	57,630
Investment income	44,552	35,844	24	80,420
Miscellaneous	14,161	-	156,916	171,077
<b>Total Revenues</b>	<b>18,883,407</b>	<b>35,844</b>	<b>711,098</b>	<b>19,630,349</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,480,896	-	74,115	1,555,011
Public safety	3,058,241	-	40,061	3,098,302
Education	9,038,827	-	42,251	9,081,078
Public works	1,528,279	-	53,837	1,582,116
Health and human services	385,447	-	33,762	419,209
Culture and recreation	460,543	-	45,505	506,048
Employee benefits	1,225,605	-	-	1,225,605
Debt service	344,978	-	-	344,978
Intergovernmental	42,371	-	-	42,371
<b>Total Expenditures</b>	<b>17,565,187</b>	<b>-</b>	<b>289,531</b>	<b>17,854,718</b>
<b>Excess of revenues over expenditures</b>	<b>1,318,220</b>	<b>35,844</b>	<b>421,567</b>	<b>1,775,631</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,843,879	1,929,942	-	3,773,821
Transfers out	(3,021,108)	(1,555,052)	(255,494)	(4,831,654)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,177,229)</b>	<b>374,890</b>	<b>(255,494)</b>	<b>(1,057,833)</b>
<b>Change in fund balance</b>	<b>140,991</b>	<b>410,734</b>	<b>166,073</b>	<b>717,798</b>
<b>Fund Balance, at Beginning of Year</b>	<b>6,854,865</b>	<b>2,580,249</b>	<b>1,087,200</b>	<b>10,522,314</b>
<b>Fund Balance, at End of Year</b>	<b>\$ 6,995,856</b>	<b>\$ 2,990,983</b>	<b>\$ 1,253,273</b>	<b>\$ 11,240,112</b>

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, 2015

<b>Net changes in governmental fund balances</b>	<b>\$ 717,798</b>																		
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="text-align: right;">731,675</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,134,071)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(73,470)</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Repayments of debt</td> <td style="text-align: right;">284,223</td> </tr> <tr> <td>Payment of capital leases</td> <td style="text-align: right;">34,494</td> </tr> </table> </li> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">2,099</td> </tr> </table> </li> <li>• Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds: <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Change in compensated absences liability</td> <td style="text-align: right;">132,804</td> </tr> <tr> <td>Change in net OPEB obligation</td> <td style="text-align: right;">(646,434)</td> </tr> <tr> <td>Change in net pension liability and related deferred outflows</td> <td style="text-align: right;"><u>(227,431)</u></td> </tr> </table> </li> </ul>		Capital outlay purchases	731,675	Depreciation	(1,134,071)		(73,470)	Repayments of debt	284,223	Payment of capital leases	34,494		2,099	Change in compensated absences liability	132,804	Change in net OPEB obligation	(646,434)	Change in net pension liability and related deferred outflows	<u>(227,431)</u>
Capital outlay purchases	731,675																		
Depreciation	(1,134,071)																		
	(73,470)																		
Repayments of debt	284,223																		
Payment of capital leases	34,494																		
	2,099																		
Change in compensated absences liability	132,804																		
Change in net OPEB obligation	(646,434)																		
Change in net pension liability and related deferred outflows	<u>(227,431)</u>																		
<b>Change in net position of governmental activities</b>	<b>\$ <u>(178,313)</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, 2015

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u> )	Variance with Final Budget Positive (Negative)
<b>Revenues and other sources:</b>				
Property taxes	\$ 13,545,174	\$ 13,545,174	\$ 13,724,610	\$ 179,436
Excise taxes	800,000	800,000	1,051,609	251,609
Interest, penalties, and other taxes	85,750	85,750	158,700	72,950
Licenses and permits	115,000	115,000	168,420	53,420
Intergovernmental	1,473,600	1,473,600	1,484,078	10,478
Charges for services	25,000	25,000	26,405	1,405
Investment income	35,000	35,000	8,285	(26,715)
Fines and forfeitures	35,000	35,000	50,410	15,410
PILOT	2,155,957	2,155,957	2,160,462	4,505
Miscellaneous	10,000	10,000	14,161	4,161
Transfers in	<u>2,038,385</u>	<u>2,038,385</u>	<u>2,043,879</u>	<u>5,494</u>
Total Revenues and Transfers	20,318,866	20,318,866	20,891,019	572,153
<b>Expenditures and other uses:</b>				
Current:				
General government	1,852,372	1,820,690	1,536,910	283,780
Public safety	2,937,957	3,010,215	2,976,142	34,073
Education	9,176,453	9,073,462	9,048,707	24,755
Public works	1,430,645	1,571,080	1,569,677	1,403
Health and human services	395,851	428,568	391,791	36,777
Culture and recreation	487,023	487,176	474,901	12,275
Employee benefits	1,250,802	1,278,147	1,227,610	50,537
Intergovernmental	41,214	41,214	42,371	(1,157)
Debt service	349,975	349,979	344,978	5,001
Transfers out	<u>3,069,965</u>	<u>3,069,965</u>	<u>3,099,233</u>	<u>(29,268)</u>
Total Expenditures and Transfers	<u>20,992,257</u>	<u>21,130,496</u>	<u>20,712,320</u>	<u>418,176</u>
Excess (deficiency) of revenues and transfers over expenditures and transfers	(673,391)	(811,630)	178,699	990,329
<b>Other Financing Sources and Uses:</b>				
Use of fund balance	704,574	842,813	-	(842,813)
Other uses	<u>(31,183)</u>	<u>(31,183)</u>	<u>(31,183)</u>	<u>-</u>
Total Other Financing Sources	<u>673,391</u>	<u>811,630</u>	<u>(31,183)</u>	<u>(842,813)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,516</u>	<u>\$ 147,516</u>

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

TOWN OF BLACKSTONE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Recycling Fund	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 1,685,774	\$ -	\$ 1,685,774
User fees, net of allowance for uncollectibles	575,512	-	575,512
Other assets	-	122,214	122,214
Total current assets	<u>2,261,286</u>	<u>122,214</u>	<u>2,383,500</u>
Noncurrent:			
Capital assets, net of accumulated depreciation	<u>21,892,647</u>	<u>468,822</u>	<u>22,361,469</u>
Total noncurrent assets	<u>21,892,647</u>	<u>468,822</u>	<u>22,361,469</u>
<b>TOTAL ASSETS</b>	<b>24,153,933</b>	<b>591,036</b>	<b>24,744,969</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	52,974	789	53,763
Accrued liabilities	147,169	8,723	155,892
Due to other funds	-	168,700	168,700
Notes payable	882,000	125,000	1,007,000
Current portion of long-term liabilities:			
Bonds payable	745,001	25,800	770,801
Other liabilities	<u>4,478</u>	<u>3,252</u>	<u>7,730</u>
Total current liabilities	<u>1,831,622</u>	<u>332,264</u>	<u>2,163,886</u>
Noncurrent:			
Bonds payable, net of current portion	7,584,076	25,800	7,609,876
Other liabilities, net of current portion	<u>40,296</u>	<u>29,270</u>	<u>69,566</u>
Total noncurrent liabilities	<u>7,624,372</u>	<u>55,070</u>	<u>7,679,442</u>
<b>TOTAL LIABILITIES</b>	<b>9,455,994</b>	<b>387,334</b>	<b>9,843,328</b>
<b>NET POSITION</b>			
Net investment in capital assets	13,299,331	292,222	13,591,553
Unrestricted	<u>1,398,608</u>	<u>(88,520)</u>	<u>1,310,088</u>
<b>TOTAL NET POSITION</b>	<b>\$ 14,697,939</b>	<b>\$ 203,702</b>	<b>\$ 14,901,641</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, 2015

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Recycling Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 1,424,790	\$ 183,975	\$ 1,608,765
Penalties and interest	96,440	-	96,440
Product sale	-	109,957	109,957
<b>Total Operating Revenues</b>	<b>1,521,230</b>	<b>293,932</b>	<b>1,815,162</b>
<b>Operating Expenses:</b>			
Operating expenses	1,119,317	371,098	1,490,415
Depreciation	326,952	49,476	376,428
<b>Total Operating Expenses</b>	<b>1,446,269</b>	<b>420,574</b>	<b>1,866,843</b>
Operating Income (Loss)	74,961	(126,642)	(51,681)
<b>Nonoperating Revenues (Expenses):</b>			
Miscellaneous revenue	160	96,496	96,656
Interest expense	(350,807)	(2,524)	(353,331)
<b>Total Nonoperating Revenues (Expenses), Net</b>	<b>(350,647)</b>	<b>93,972</b>	<b>(256,675)</b>
Income (Loss) Before Transfers	(275,686)	(32,670)	(308,356)
<b>Transfers:</b>			
Transfers in	1,053,166	38,000	1,091,166
Transfers out	(33,333)	-	(33,333)
<b>Total Transfers</b>	<b>1,019,833</b>	<b>38,000</b>	<b>1,057,833</b>
Change in Net Position	744,147	5,330	749,477
Net Position at Beginning of Year	13,953,792	198,372	14,152,164
Net Position at End of Year	\$ <u>14,697,939</u>	\$ <u>203,702</u>	\$ <u>14,901,641</u>

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, 2015

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>		<u>Total</u>
	<u>Water/Sewer</u> <u>Fund</u>	<u>Recycling</u> <u>Fund</u>	
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 1,499,894	\$ 293,932	\$ 1,793,826
Payments to vendors and employees	<u>(1,208,109)</u>	<u>(263,990)</u>	<u>(1,472,099)</u>
Net Cash Provided By (Used For) Operating Activities	291,785	29,942	321,727
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Miscellaneous income	160	4,755	4,915
Transfers, net	<u>1,019,833</u>	<u>38,000</u>	<u>1,057,833</u>
Net Cash Provided By Noncapital Financing Activities	1,019,993	42,755	1,062,748
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition and construction of capital assets	(440,924)	(44,373)	(485,297)
Principal payments on bonds and notes	(755,001)	(25,800)	(780,801)
Interest expense	<u>(350,807)</u>	<u>(2,524)</u>	<u>(353,331)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(1,546,732)</u>	<u>(72,697)</u>	<u>(1,619,429)</u>
Net Change in Cash and Short-Term Investments	(234,954)	-	(234,954)
Cash and Short-Term Investments, Beginning of Year	<u>1,920,728</u>	<u>-</u>	<u>1,920,728</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,685,774</u>	<u>\$ -</u>	<u>\$ 1,685,774</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash</u></b>			
<b><u>Provided by (Used For) Operating Activities:</u></b>			
Operating income (loss)	\$ 74,961	\$ (126,642)	\$ (51,681)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	326,952	49,476	376,428
Changes in assets and liabilities:			
User fees	(21,336)	-	(21,336)
Warrants payable	(75,237)	(4,022)	(79,259)
Accrued liabilities	(4,209)	(2,562)	(6,771)
Due to other funds	-	118,958	118,958
Other liabilities	<u>(9,346)</u>	<u>(5,266)</u>	<u>(14,612)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 291,785</u>	<u>\$ 29,942</u>	<u>\$ 321,727</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, 2015

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and short-term investments	\$ 734,674
Accounts receivable	<u>8,084</u>
Total Assets	<u>\$ 742,758</u>
 <b><u>LIABILITIES</u></b>	
Other liabilities	\$ <u>742,758</u>
Total Liabilities	<u>\$ 742,758</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. In fiscal year 2015, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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

##### Government-wide Financial Statements

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

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

##### Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The government reports the following major governmental 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 investment fund* was established under Chapter 9 of the Acts of 2001 and is used to pay debt service costs of the Town.

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 activities at the Blackstone Valley Regional Recycling Center.

The *agency fund* is used to account for escrows, police details, and performance bonds. Agency funds report only assets and liabilities, and thus have no measurement focus.

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

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

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

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

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guar-

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)	\$ 18,883,407	\$ 17,565,187
Other financing sources/uses (GAAP Basis)	<u>1,843,879</u>	<u>3,021,108</u>
Subtotal (GAAP Basis)	20,727,286	20,586,295
Reverse beginning of year appropriation carryforwards from expenditures	-	(330,693)
Add end-of-year appropriation carryforwards from expenditures	-	378,593
Raise prior year deficit	-	31,183
Reverse the effect of non-budgeted activity	<u>163,733</u>	<u>78,125</u>
Budgetary Basis	<u>\$ 20,891,019</u>	<u>\$ 20,743,503</u>

**D. Deficit Fund Equity**

The following funds reflected deficit balances as of June 30, 2015:

Water meter capital project	\$ (224,434)
Recycling equipment capital project	(125,000)
Water tank painting capital project	(337,786)
Highway funds	<u>(1,660)</u>
Total	<u>\$ (688,880)</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, 2015, none of the Town's bank balance of \$7,895,884 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 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	\$ 1,769,405	\$ 1,769,405	\$ -	\$ -	\$ -
Corporate bonds	669,041	-	-	669,041	-
Mutual funds	529,645	529,645	-	-	-
Federal agency securities	2,385,076	-	2,385,076	-	-
Mortgage-backed securities	92,459	-	-	-	92,459
Equities	623,734	623,734	-	-	-
<b>Total investments</b>	<b>\$ 6,069,360</b>	<b>\$ 2,922,784</b>	<b>\$ 2,385,076</b>	<b>\$ 669,041</b>	<b>\$ 92,459</b>

##### 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 \$6,069,360, the government has a custodial credit risk exposure of \$4,299,955 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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Debt-related Securities:			
Certificates of deposits	\$ 1,769,405	\$ 1,257,707	\$ 511,698
Corporate bonds	669,041	301,893	367,148
Federal agency securities	2,385,076	-	2,385,076
Mortgage-backed securities	92,459	-	92,459
Total	<u>\$ 4,915,981</u>	<u>\$ 1,559,600</u>	<u>\$ 3,356,381</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, 2015 consist of the following:

Real Estate		
2015	\$ 264,371	
2014	18,224	
2013	25,484	
2012	16,877	
2011	10,405	
Prior	<u>13,459</u>	
		348,820
Personal Property		
2015	803	
2014	2,174	
2013	2,180	
2012	2,085	
2011	2,178	
Prior	<u>8,832</u>	
		18,252
Tax Liens		<u>851,446</u>
Total		<u>\$ 1,218,518</u>

## 6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 866,606	\$ -
Excises	\$ 150,442	\$ -
Utilities	\$ -	\$ 36,109

## 7. Intergovernmental Receivables

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

**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 \$4,147 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, 2015 the total amount of the loans receivable under this septic system betterment program was \$9,413 and is being reported in the government-wide and fund financials.

**9. Interfund Fund Receivables/Payables and Transfer In/Out**

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivables and payable accounts must be utilized. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The following is an analysis of the June 30, 2015 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 168,700	\$ -
Enterprise Funds:		
Recycling	<u>-</u>	<u>168,700</u>
Total	<u>\$ 168,700</u>	<u>\$ 168,700</u>

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2015:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,843,879	\$ 3,021,108
Capital Investment Fund	1,929,942	1,555,052
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Ambulance fees	-	250,000
Insurance recovery	-	5,494
Enterprise Funds:		
Water/Sewer Fund	1,053,166	33,333
Recycling Fund	<u>38,000</u>	<u>-</u>
Total	<u>\$ 4,864,987</u>	<u>\$ 4,864,987</u>

The \$1,929,942 transfer in to the Capital Investment Fund is related to a PILOT payment discussed in Note 24. The transfer out of the Capital Investment Fund is to fund the payment of debt service costs in both the General Fund and Water/Sewer Fund. Other transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

## 10. Capital Assets

Capital asset activity for the year ended June 30, 2015 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	\$ 195,632	\$ -	\$ -	\$ 195,632
Buildings and improvements	12,754,381	7,864	-	12,762,245
Infrastructure	16,531,658	208,561	-	16,740,219
Machinery, equipment, and furnishings	4,360,056	232,722	-	4,592,778
Vehicles	<u>1,401,189</u>	<u>276,572</u>	<u>-</u>	<u>1,677,761</u>
Total capital assets, being depreciated	35,242,916	725,719	-	35,968,635
Less accumulated depreciation for:				
Land improvements	(18,885)	-	-	(18,885)
Buildings and improvements	(6,965,236)	(304,291)	-	(7,269,527)
Infrastructure	(8,809,217)	(497,992)	-	(9,307,209)
Machinery, equipment, and furnishings	(3,429,309)	(149,834)	-	(3,579,143)
Vehicles	<u>(978,043)</u>	<u>(181,954)</u>	<u>-</u>	<u>(1,159,997)</u>
Total accumulated depreciation	<u>(20,200,690)</u>	<u>(1,134,071)</u>	<u>-</u>	<u>(21,334,761)</u>
Total capital assets, being depreciated, net	15,042,226	(408,352)	-	14,633,874
Capital assets, not being depreciated:				
Land	3,959,191	-	-	3,959,191
Construction in progress	<u>88,007</u>	<u>5,956</u>	<u>-</u>	<u>93,963</u>
Total capital assets, not being depreciated	<u>4,047,198</u>	<u>5,956</u>	<u>-</u>	<u>4,053,154</u>
Governmental activities capital assets, net	<u>\$ 19,089,424</u>	<u>\$ (402,396)</u>	<u>\$ -</u>	<u>\$ 18,687,028</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	\$ 3,038,843	\$ 36,999	\$ -	\$ 3,075,842
Machinery, equipment, and furnishings	790,717	76,923	-	867,640
Infrastructure	23,577,149	286,685	-	23,863,834
Vehicles	449,139	84,690	-	533,829
Total capital assets, being depreciated	27,855,848	485,297	-	28,341,145
Less accumulated depreciation for:				
Buildings and improvements	(1,117,981)	(75,033)	-	(1,193,014)
Machinery, equipment, and furnishings	(514,452)	(63,731)	-	(578,183)
Infrastructure	(3,798,515)	(219,194)	-	(4,017,709)
Vehicles	(358,452)	(18,470)	-	(376,922)
Total accumulated depreciation	(5,789,400)	(376,428)	-	(6,165,828)
Total capital assets, being depreciated, net	22,066,448	108,869	-	22,175,317
Capital assets, not being depreciated:				
Land	160,322	-	-	160,322
Construction in progress	25,830	-	-	25,830
Total capital assets, not being depreciated	186,152	-	-	186,152
Business-type activities capital assets, net	<u>\$ 22,252,600</u>	<u>\$ 108,869</u>	<u>\$ -</u>	<u>\$ 22,361,469</u>

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

**Governmental Activities:**

General government	\$ 73,538
Public safety	215,356
Education	121,568
Public works	554,280
Health and human services	4,589
Culture and recreation	164,740

Total depreciation expense - governmental activities \$ 1,134,071

**Business-Type Activities:**

Water/Sewer	\$ 326,952
Recycling	49,476

Total depreciation expense - business-type activities \$ 376,428

## 11. Deferred Outflows of Resources

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

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

	<u>Entity-wide Basis</u>
	<u>Governmental Activities</u>
Net difference between projected and actual pension investment	\$ 5,933

**12. Warrants Payable**

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

**13. 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.

**14. Anticipation Notes Payable**

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

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/15</u>
Bond anticipation note	0.45%	01/23/15	07/22/15	\$ 1,007,000

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

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

**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>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/15</u>
Fire Truck	09/22/16	2.70%	\$ 120,000
Land Acquisition refunding	10/15/17	2.00 - 3.00%	58,000
Septic System Betterment	08/01/19	4.01 - 5.75%	20,735
Building Construction - Library	11/01/21	2.00 - 4.40%	65,000
Building Construction - Library	11/01/22	2.00 - 4.50%	1,160,000
<b>Total Governmental Activities:</b>			<b>\$ 1,423,735</b>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/15</u>
Storage Tank Construction	11/01/15	4.00 - 5.50%	\$ 15,000
Recycling Bailer	12/15/16	2.75%	51,600
Refunding bond	10/15/20	2.00 - 3.00%	677,000
Storage Tank Construction	11/01/20	3.00 - 5.50%	150,000
Water Mains	11/01/20	3.00 - 5.50%	120,000
Sewer	11/01/22	2.00 - 4.50%	200,000
Storage Tank Construction	11/01/22	2.00 - 4.50%	280,000
Sewer	11/01/24	3.00 - 5.50%	2,965,000
Sewer	08/13/29	4.25%	510,683
Storage Tank Construction	10/13/29	4.75%	251,160
Water Treatment Facility	10/13/29	5.00%	544,244
Sewer	08/13/31	4.25%	304,810
Sewer	08/13/31	4.25%	182,135
Water Mains	10/13/39	5.00%	496,465
Sewer	02/14/45	4.125%	1,100,916
Sewer	02/14/45	4.125%	531,664
<b>Total Business-Type Activities:</b>			<b>\$ 8,380,677</b>

**B. Future Debt Service**

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 239,147	\$ 52,822	\$ 291,969
2017	238,147	44,444	282,591
2018	178,147	36,626	214,773
2019	159,147	39,825	198,972
2020	159,147	23,159	182,306
2021 - 2023	<u>450,000</u>	<u>29,545</u>	<u>479,545</u>
Total	<u>\$ 1,423,735</u>	<u>\$ 226,421</u>	<u>\$ 1,650,156</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	710,001	213,431	923,432
2021 - 2025	2,695,005	713,965	3,408,970
2026 - 2030	949,967	357,834	1,307,801
2031 - 2035	428,675	189,268	617,943
Thereafter	<u>643,425</u>	<u>138,333</u>	<u>781,758</u>
Total	<u>\$ 8,380,677</u>	<u>\$ 2,725,581</u>	<u>\$ 11,106,258</u>

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

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

	<u>Total</u>			<u>Equals</u>		
	<u>Balance</u>			<u>Balance</u>	<u>Less</u>	<u>Long-Term</u>
	<u>7/1/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/15</u>	<u>Current</u>	<u>Portion</u>
					<u>Portion</u>	<u>6/30/15</u>
<b><u>Governmental Activities</u></b>						
Bonds payable	\$ 1,708	\$ -	\$ (284)	\$ 1,424	\$ (239)	\$ 1,185
Capital leases	35	-	(35)	-	-	-
Compensated absences	498	133	(266)	365	(37)	328
Net OPEB obligation	622	688	(42)	1,268	-	1,268
Net pension liability	<u>9,632</u>	<u>233</u>	<u>-</u>	<u>9,865</u>	<u>-</u>	<u>9,865</u>
Totals	<u>\$ 12,495</u>	<u>\$ 1,054</u>	<u>\$ (627)</u>	<u>\$ 12,922</u>	<u>\$ (276)</u>	<u>\$ 12,646</u>
<b><u>Business-Type Activities</u></b>						
Bonds payable	\$ 9,161	\$ -	\$ (781)	\$ 8,380	\$ (771)	\$ 7,609
Compensated absences	<u>92</u>	<u>15</u>	<u>(29)</u>	<u>78</u>	<u>(8)</u>	<u>70</u>
Totals	<u>\$ 9,253</u>	<u>\$ 15</u>	<u>\$ (810)</u>	<u>\$ 8,458</u>	<u>\$ (779)</u>	<u>\$ 7,679</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.

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

	<u>Fund Basis</u>	
	<u>Governmental Funds</u>	
	<u>General Fund</u>	<u>Nonmajor</u>
Unavailable revenues	\$ 1,365,302	\$ 254,423

**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 \$(264,239).

**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, 2015:

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, and capital investment funds set aside by Town Meeting vote for future debt service.

**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. The Town follows an informal policy that permits management to assign fund balance amounts to a specific purpose, although fund balance to be applied against a subsequent year's budget is voted by Town Meeting.

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

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

	<u>General Fund</u>	<u>Capital Investment Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Restricted</b>				
Bonded projects	\$ -	\$ -	\$ 1,783	\$ 1,783
Ambulance	-	-	355,768	355,768
Cable franchise	-	-	428,135	428,135
Grants	-	-	101,345	101,345
Other special revenue funds	-	-	358,440	358,440
Expendable permanent funds	-	-	9,462	9,462
<b>Total Restricted</b>	<b>-</b>	<b>-</b>	<b>1,254,933</b>	<b>1,254,933</b>
<b>Committed</b>				
For debt service	-	2,990,983	-	2,990,983
Special articles	589,386	-	-	589,386
<b>Total Committed</b>	<b>589,386</b>	<b>2,990,983</b>	<b>-</b>	<b>3,580,369</b>
<b>Assigned</b>				
For encumbrances:				
General government	81,120	-	-	81,120
Public safety	110,121	-	-	110,121
Education	9,880	-	-	9,880
Public works	68,741	-	-	68,741
Health and human services	19,825	-	-	19,825
Culture and recreation	29,852	-	-	29,852
Employee benefits	2,005	-	-	2,005
For next year's expenditures	648,290	-	-	648,290
<b>Total Assigned</b>	<b>969,834</b>	<b>-</b>	<b>-</b>	<b>969,834</b>
<b>Unassigned</b>	<b>5,436,636</b>	<b>-</b>	<b>(1,660)</b>	<b>5,434,976</b>
<b>Total Unassigned</b>	<b>5,436,636</b>	<b>-</b>	<b>(1,660)</b>	<b>5,434,976</b>
<b>Total Fund Balance</b>	<b>\$ 6,995,856</b>	<b>\$ 2,990,983</b>	<b>\$ 1,253,273</b>	<b>\$ 11,240,112</b>

## 19. Subsequent Events

### Debt

Subsequent to June 30, 2015, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bond	\$ 1,007,000	2.0 - 3.0%	07/15/15	07/15/23

## 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.

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the Town's counsel, the probable outcome of these cases at the present time is indeterminable.

## 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 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2013.

Annual Required Contribution (ARC)	\$ 688,724
Interest on net OPEB obligation	24,869
Adjustment to ARC	<u>(20,725)</u>
Annual OPEB cost	692,868
Contributions made	<u>(46,434)</u>
Increase in net OPEB obligation	646,434
Net OPEB obligation - beginning of year	<u>621,736</u>
Net OPEB obligation - end of year	<u>\$ 1,268,170</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 692,868	6.7%	\$ 1,268,170
2014	\$ 648,443	4.1%	\$ 621,736

The Town's net OPEB obligation as of June 30, 2015 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	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>5,984,408</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	\$ <u>3,763,098</u>
UAAL as a percentage of covered payroll	<u>159%</u>

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

**F. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include tech-

niques 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. Retirement System

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

### A. Plan Description

Substantially all employees of the Town are members of the Worcester Regional Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publically available from the System located at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

### B. Benefits Provided

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

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

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

### C. Contributions

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

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

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

The Town's contribution to the System for the year ended June 30, 2015 was \$655,133, which was equal to its annual required contribution.

*D. Summary of Significant Accounting Policies*

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

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

At June 30, 2015, the Town reported a liability of \$9,864,829 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014, rolled forward to the measurement date of December 31, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the Town's proportion was 1.657766%.

For the year ended June 30, 2015, the Town recognized pension expense of \$882,564. In addition, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ <u>5,933</u>
Total	\$ <u><u>5,933</u></u>

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

Year ended June 30:	
2016	\$ 1,483
2017	1,483
2018	1,483
2019	<u>1,484</u>
Total	\$ <u><u>5,933</u></u>

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

Amortization method	Payment increases 4.0% per year, except for Early Retirement Incentive (ERI) Programs for 2002 and 2003 (4.5%) and 2010 (level dollar)
Remaining amortization period	21 years, except for ERI for 2002 and 2003 (14 years) and 2010 (8 years)
Asset valuation method	5-year smoothed market value
Inflation	Not explicitly assumed for the update to December 31, 2014 (3.5% per year for the actuarial valuation as of January 1, 2014)
Salary increases	3% per year, including longevity
Investment rate of return	8%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table projected to 2014 with scale AA. For disabled lives, the mortality rates were based on the RP-2000 mortality table set forward two years.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2013 through December 31, 2013.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	43%	8.23%
Fixed income	23%	5.05%
Private equity	10%	9.75%
Real estate	10%	6.50%
Timber/Natural resources	4%	6.88%
Hedge funds	10%	7.00%
Total	<u>100%</u>	

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

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate:** The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7%) or 1 percentage-point higher (9%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
June 30, 2015	\$ 12,010,847	\$ 9,864,829	\$ 8,042,527

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

### **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 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 \$2.1 million in revenue from ANP during the fiscal year ending June 30, 2015.

**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. Beginning Net Position Restatement**

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

Government-Wide Financial Statements:	
	<u>Governmental Activities</u>
As previously reported	\$ 27,413,184
GASB 68 implementation for net pension liability	<u>(9,631,465)</u>
As restated	<u>\$ 17,781,719</u>

**TOWN OF BLACKSTONE, MASSACHUSETTS  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2015**

**Other Post-Employment Benefits**

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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]
07/01/13	\$ -	\$ 5,984,408	\$ 5,984,408	0.0%	\$ 3,763,098	159.0%

See Independent Auditors' Report.

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

<u>Worcester County Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability (asset)	1.657766%
Proportionate share of the net pension liability (asset)	\$ 9,864,829
Covered-employee payroll	\$ 3,184,973
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	309.7%
Plan fiduciary net position as a percentage of the total pension liability	48.0%

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

See Independent Auditors' Report.

TOWN OF BLACKSTONE, MASSACHUSETTS

SCHEDULE OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015  
(Unaudited)

<u>Worcester County Retirement System:</u>	<u>2015</u>
Contractually required contribution	\$ 655,133
Contributions in relation to the contractually required contribution	<u>(655,133)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	3,184,973
Contributions as a percentage of covered-employee payroll	20.6%

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

See Independent Auditors' Report.