

TOWN OF ATHOL, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2015

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Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Athol, Massachusetts

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 Athol, 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 Athol, 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 1 to the combined financial statements, the Athol Contributory Retirement System was dissolved on December 31, 2014 in accordance with Massachusetts General Law Chapter 360 of the Acts of 2014. All system assets, liabilities and membership became part of the Worcester Regional Retirement System effective January 1, 2015. 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, Schedule of Funding Progress, Schedule of Proportionate Share of Net Pension Liability, and 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

March 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Athol, we offer readers this narrative overview and analysis of the financial activities of the Town of Athol 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 Town of Athol's 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 the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$10,584,328 (i.e., net position), an increase of \$2,997,170 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$3,204,005, a decrease of \$(670,215) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,416,314, an increase of \$140,322 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$16,487,961, an increase of \$2,388,385 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.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 12,724,849	\$ 12,816,899	\$ 1,740,743	\$ 1,967,659	\$ 14,465,592	\$ 14,784,558
Capital assets	36,588,226	29,781,426	12,071,404	12,184,076	48,659,630	41,965,502
Deferred outflow of resources	1,248,031	-	128,727	-	1,376,758	-
Total Assets	50,561,106	42,598,325	13,940,874	14,151,735	64,501,980	56,750,060
Long-term liabilities outstanding	37,039,783	17,314,072	10,232,642	9,192,479	47,272,425	26,506,551
Other liabilities	6,444,898	6,608,590	200,329	186,466	6,645,227	6,795,056
Total Liabilities	43,484,681	23,922,662	10,432,971	9,378,945	53,917,652	33,301,607
Net position:						
Invested in capital assets, net	25,818,006	21,311,636	4,907,523	4,441,538	30,725,529	25,753,174
Restricted	2,624,115	3,093,686	-	-	2,624,115	3,093,686
Unrestricted	(21,365,696)	(5,729,659)	(1,399,620)	331,252	(22,765,316)	(5,398,407)
Total Net Position	\$ 7,076,425	\$ 18,675,663	\$ 3,507,903	\$ 4,772,790	\$ 10,584,328	\$ 23,448,453

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,842,698	\$ 1,562,498	\$ 2,814,750	\$ 3,032,436	\$ 4,657,448	\$ 4,594,934
Operating grants and contributions	835,287	783,141	38,161	36,557	873,448	819,698
Capital grants and contributions	4,708,074	3,209,755	-	-	4,708,074	3,209,755
General revenues:						
Property taxes	11,714,868	11,212,574	-	-	11,714,868	11,212,574
Excises	1,084,592	1,052,171	-	-	1,084,592	1,052,171
Penalties, interest and other taxes	178,303	166,141	-	-	178,303	166,141
Grants and contributions not restricted	2,465,646	2,409,531	-	-	2,465,646	2,409,531
Investment income	29,275	40,855	-	-	29,275	40,855
Miscellaneous	720,863	51,093	26,643	31,602	747,506	82,695
Total Revenues	23,579,606	20,487,759	2,879,554	3,100,595	26,459,160	23,588,354
Expenses:						
General government	2,947,906	2,167,562	-	-	2,947,906	2,167,562
Public safety	4,044,995	3,861,301	-	-	4,044,995	3,861,301
Education	4,113,751	4,137,555	-	-	4,113,751	4,137,555
Public works	2,614,183	2,420,330	-	-	2,614,183	2,420,330
Health and human services	548,886	490,900	-	-	548,886	490,900
Culture and recreation	1,030,541	921,259	-	-	1,030,541	921,259
Employee benefits	4,966,080	4,404,028	-	-	4,966,080	4,404,028
Interest on long-term debt	309,635	209,884	-	-	309,635	209,884
Intergovernmental	74,797	73,677	-	-	74,797	73,677
Sewer operations	-	-	1,374,847	1,327,406	1,374,847	1,327,406
Water operations	-	-	1,057,935	1,014,712	1,057,935	1,014,712
Landfill operations	-	-	368,434	343,371	368,434	343,371
Total expenses	20,650,774	18,686,496	2,801,216	2,685,489	23,451,990	21,371,985
Change in net position before transfers	2,928,832	1,801,263	78,338	415,106	3,007,170	2,216,369
Transfers in (out)	(149,806)	(139,808)	139,806	139,808	(10,000)	-
Change in net position	2,779,026	1,661,455	218,144	554,914	2,997,170	2,216,369
Net position - beginning of year as restated	4,297,399	17,014,208	3,289,759	4,217,876	7,587,158	21,232,084
Net position - end of year	\$ 7,076,425	\$ 18,675,663	\$ 3,507,903	\$ 4,772,790	\$ 10,584,328	\$ 23,448,453

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 \$10,584,328, an increase of \$2,997,170 from the prior year.

The largest portion of net position, \$30,725,529, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of

related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$2,624,115 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position was a deficit of \$(21,365,696) in governmental activities and \$(1,399,620) in business-type activities, caused primarily by recording liabilities for other post-employment benefits (OPEB) and net pension liability.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$2,779,026. Key elements of this change are as follows:

	<u>Government-Wide Governmental Activities</u>
<u>General Fund Operating Results</u>	
Excess tax collections as compared to budget	\$ 38,164
Excess of State and local revenues over budget	366,792
Budgetary appropriations overspent by departments	(66,690)
Use of free cash, prior years' encumbrance and other reserves (fund balance) as a funding source	(1,050,698)
Other uses raised in the current year	16,776
Change in stabilization funds	76,868
<u>Timing Differences</u>	
Difference between current year encumbrances to be spent in a subsequent period and prior year encumbrances spent in the current year	198,479
<u>Operating Results (Other Funds)</u>	
CDBG fund expenditures over revenues	(211,029)
Capital project fund revenues and other sources over expenditures	219,665
Nonexpendable trust fund revenues	9,446
Nonmajor fund expenditures and transfers out over revenues and transfers in	(267,988)
<u>Other</u>	
Capital assets purchases	8,777,380
Capital asset disposals, net	(18,902)
Excess current year depreciation expense over debt service and capital lease principal payments	(463,815)
Reverse bond proceeds from revenue	(4,000,000)
Increase in the liability for other post-employment benefits	(951,148)
Change in net pension liability, net of related deferrals	(258,065)
Other GAAP accruals	363,791
Total	<u>\$ 2,779,026</u>

Business-Type Activities. Business-type activities for the year resulted in an increase in net position of \$218,144. Key elements of this change are as follows:

- Sewer operations increase of \$87,673.
- Water operations increase of \$136,131.
- Landfill operations decrease of \$(5,660).

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, unreserved 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 \$3,204,005, a change of \$(670,215) in comparison with the prior year. Key elements of this change are as follows:

	<u>Fund Balance</u> <u>Governmental Funds</u>
<u>General Fund Operating Results</u>	
Excess tax collections as compared to budget	\$ 38,164
Excess of State and local revenues over budget	366,792
Budgetary appropriations overspent by departments	(66,690)
Use of free cash, prior years' encumbrance and other reserves (fund balance) as a funding source	(1,050,698)
Other uses raised in the current year	16,776
Change in stabilization funds	76,868
<u>Timing Differences</u>	
Difference between current year encumbrances to be spent in a subsequent period and prior year encumbrances spent in the current year	198,479
Sub-total - General Fund results	(420,309)
<u>Operating Results (Other Funds)</u>	
CDBG fund expenditures over revenues	(211,029)
Capital project fund revenues and other sources over expenditures	219,665
Nonexpendable trust fund revenues	9,446
Nonmajor fund expenditures and transfers out over revenues and transfers in	(267,988)
Total	<u>\$ (670,215)</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 \$1,416,314, while total fund balance was \$2,490,110. 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>2015</u>	<u>2014</u>	<u>Change</u>	<u>% of Total 2015 General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 1,416,314	\$ 1,275,992	\$ 140,322	7.9%
Total fund balance	\$ 2,490,110	\$ 2,910,419	\$ (420,309)	14.0%

¹ Includes Stabilization Fund.

The total fund balance of the general fund changed by \$(420,309) during the current fiscal year. Key factors in this change are as outlined on the previous page.

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 \$(1,399,620). 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 increase of \$250,000, which is comprised of the following:

- \$220,000 appropriation for the purchase of an ambulance, funded by a transfer from the Ambulance Reserve (special revenue) fund.
- \$30,000 appropriation for Town Hall exterior stair repairs, funded by a transfer from the Stabilization fund.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$48,659,630 (net of accumulated depreciation), an increase of \$7,087,257 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

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

- Depreciation expense of \$(1,558,549) in governmental activities and \$(433,518) in business-type activities.
- Vehicle and equipment purchases of \$352,122 in governmental activities.
- Library construction of \$139,854.
- North Quabbin Development District improvements (primarily related to Athol Commons water storage tank) of \$1,576,610 (in progress).
- Road reconstruction of \$657,762.
- School building construction of \$5,992,671 (in progress).
- Senior center building improvements of \$23,750.
- Land additions of \$34,611 and land dispositions of \$(18,902).
- Sewer treatment plant roof replacement of \$145,510 and manhole repairs of \$40,589.
- Water treatment plant filter replacement of \$134,747.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$16,487,961, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

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

Ms. Christine Mailloux
 Town Accountant
 Town of Athol
 584 Main Street
 Athol, MA 01331

TOWN OF ATHOL, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 6,478,926	\$ 982,728	\$ 7,461,654
Investments	2,623,209	-	2,623,209
Receivables, net of allowance for uncollectibles:			
Property taxes	559,687	-	559,687
Excises	188,206	-	188,206
User fees	-	758,015	758,015
Departmental and other	497,235	-	497,235
Intergovernmental	397,438	-	397,438
Loans	35,853	-	35,853
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	723,430	-	723,430
Loans, net of current portion	1,220,865	-	1,220,865
Capital assets, net of accumulated depreciation	24,195,139	12,001,463	36,196,602
Land and construction in progress	<u>12,393,087</u>	<u>69,941</u>	<u>12,463,028</u>
TOTAL ASSETS	49,313,075	13,812,147	63,125,222
DEFERRED OUTFLOW OF RESOURCES	<u>1,248,031</u>	<u>128,727</u>	<u>1,376,758</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	50,561,106	13,940,874	64,501,980
LIABILITIES			
Current:			
Warrants payable	142,378	94,934	237,312
Accounts payable	1,573,179	-	1,573,179
Accrued payroll and withholdings	154,166	16,801	170,967
Notes payable	4,512,452	-	4,512,452
Accrued interest payable	62,723	88,594	151,317
Current portion of long-term liabilities:			
Bonds payable	1,202,816	615,717	1,818,533
Other liabilities	35,000	-	35,000
Noncurrent:			
Bonds payable, net of current portion	7,696,264	6,973,164	14,669,428
Net OPEB obligation	11,082,463	946,075	12,028,538
Net pension liability	15,884,360	1,638,376	17,522,736
Other liabilities, net of current portion	<u>1,138,880</u>	<u>59,310</u>	<u>1,198,190</u>
TOTAL LIABILITIES	43,484,681	10,432,971	53,917,652
NET POSITION			
Invested in capital assets, net of related debt	25,818,006	4,907,523	30,725,529
Restricted for:			
State/Federal grants and revolving funds	763,958	-	763,958
Permanent funds:			
Nonexpendable	1,548,368	-	1,548,368
Expendable	311,789	-	311,789
Unrestricted	<u>(21,365,696)</u>	<u>(1,399,620)</u>	<u>(22,765,316)</u>
TOTAL NET POSITION	\$ <u>7,076,425</u>	\$ <u>3,507,903</u>	\$ <u>10,584,328</u>

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

TOWN OF ATHOL, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 2,947,906	\$ 768,415	\$ 497,818	\$ -	\$ (1,681,673)	\$ -	\$ (1,681,673)
Public safety	4,044,995	1,048,060	86,880	-	(2,910,055)	-	(2,910,055)
Education	4,113,751	-	-	2,380,364	(1,733,387)	-	(1,733,387)
Public works	2,614,183	25,558	1,400	1,886,584	(700,641)	-	(700,641)
Health and human services	548,886	-	208,802	-	(340,084)	-	(340,084)
Culture and recreation	1,030,541	665	40,387	441,126	(548,363)	-	(548,363)
Employee benefits	4,966,080	-	-	-	(4,966,080)	-	(4,966,080)
Interest	309,635	-	-	-	(309,635)	-	(309,635)
Intergovernmental	74,797	-	-	-	(74,797)	-	(74,797)
Total Governmental Activities	20,650,774	1,842,698	835,287	4,708,074	(13,264,715)	-	(13,264,715)
Business-Type Activities:							
Sewer services	1,374,847	1,317,264	4,051	-	-	(53,532)	(53,532)
Water services	1,057,935	1,134,712	34,110	-	-	110,887	110,887
Landfill services	368,434	362,774	-	-	-	(5,660)	(5,660)
Total Business-Type Activities	2,801,216	2,814,750	38,161	-	-	51,695	51,695
Total	\$ 23,451,990	\$ 4,657,448	\$ 873,448	\$ 4,708,074	(13,264,715)	51,695	(13,213,020)
General Revenues:							
Property taxes					11,714,868	-	11,714,868
Excises					1,084,592	-	1,084,592
Penalties, interest and other taxes					178,303	-	178,303
Grants and contributions not restricted to specific programs					2,465,646	-	2,465,646
Investment income					29,275	-	29,275
Miscellaneous					720,863	26,643	747,506
Transfers, net					(149,806)	139,806	(10,000)
Total general revenues and transfers					16,043,741	166,449	16,210,190
Change in Net Position					2,779,026	218,144	2,997,170
Net Position:							
Beginning of year, as restated					4,297,399	3,289,759	7,587,158
End of year					\$ 7,076,425	\$ 3,507,903	\$ 10,584,328

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

TOWN OF ATHOL, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>CDBG Fund</u>	<u>Capital Project Fund</u>	<u>Non-expendable Trust Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and short-term equivalents	\$ 1,870,724	\$ 214,328	\$ 3,770,929	\$ -	\$ 622,945	\$ 6,478,926
Investments	781,076	-	-	1,548,368	293,765	2,623,209
Receivables:						
Property taxes	615,354	-	-	-	-	615,354
Tax liens	803,811	-	-	-	-	803,811
Excises	374,138	-	-	-	-	374,138
Departmental and other	861,040	-	-	-	275	861,315
Intergovernmental	-	-	202,789	-	194,649	397,438
Loans receivable, net	27,529	1,199,189	-	-	30,000	1,256,718
TOTAL ASSETS	\$ 5,333,672	\$ 1,413,517	\$ 3,973,718	\$ 1,548,368	\$ 1,141,634	\$ 13,410,909
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	\$ 103,813	\$ -	\$ 3,080	\$ -	\$ 35,485	\$ 142,378
Accounts payable	-	166,373	1,406,806	-	-	1,573,179
Accrued payroll and withholdings	145,169	-	-	-	8,997	154,166
Notes payable	-	-	4,474,052	-	38,400	4,512,452
TOTAL LIABILITIES	248,982	166,373	5,883,938	-	82,882	6,382,175
DEFERRED INFLOWS OF RESOURCES	2,594,580	1,199,189	-	-	30,960	3,824,729
Fund Balances:						
Reserved for:						
Nonspendable	-	-	-	1,548,368	-	1,548,368
Restricted	-	47,955	79,138	-	1,027,792	1,154,885
Committed	505,022	-	-	-	-	505,022
Assigned	568,774	-	-	-	-	568,774
Unassigned	1,416,314	-	(1,989,358)	-	-	(573,044)
TOTAL FUND BALANCES	2,490,110	47,955	(1,910,220)	1,548,368	1,027,792	3,204,005
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,333,672	\$ 1,413,517	\$ 3,973,718	\$ 1,548,368	\$ 1,141,634	\$ 13,410,909

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

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

JUNE 30, 2015

Total Governmental Fund Balances	\$	3,204,005
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 	36,588,226	
<ul style="list-style-type: none"> • Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds 	1,248,031	
<ul style="list-style-type: none"> • Revenues are reported on the accrual basis of accounting (net of allowance for uncollectibles) and are not deferred until collection. 	3,138,669	
<ul style="list-style-type: none"> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	(62,723)	
<ul style="list-style-type: none"> • Long-term liabilities, including bonds payable, compensated absences, other post-employment benefits, net pension liability, and landfill liability are not due and payable in the current period and, therefore, are not reported in the governmental funds. 	<u>(37,039,783)</u>	
Net Position of Governmental Activities	\$	<u><u>7,076,425</u></u>

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

TOWN OF ATHOL, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>CDBG Fund</u>	<u>Capital Project Fund</u>	<u>Non-expendable Trust Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 11,680,534	\$ -	\$ -	\$ -	\$ -	\$ 11,680,534
Excises	1,037,207	-	-	-	-	1,037,207
Penalties, interest and other taxes	178,303	-	-	-	-	178,303
Charges for services	1,443,665	87,706	-	-	11,750	1,543,121
Intergovernmental	2,651,460	208,967	3,120,361	-	2,018,773	7,999,561
Licenses and permits	19,387	-	-	-	-	19,387
Fines and forfeitures	26,900	-	-	-	-	26,900
Investment income	14,703	-	-	-	14,572	29,275
Miscellaneous	227,681	-	-	9,446	458,571	695,698
	<u>17,279,840</u>	<u>296,673</u>	<u>3,120,361</u>	<u>9,446</u>	<u>2,503,666</u>	<u>23,209,986</u>
Expenditures:						
Current:						
General government	2,030,424	507,702	-	-	-	2,538,126
Public safety	3,854,554	-	-	-	395,842	4,250,396
Education	4,113,251	-	5,992,671	-	171,091	10,277,013
Public works	1,680,873	-	996,164	-	500	2,677,537
Health and human services	468,073	-	-	-	1,393,557	1,861,630
Culture and recreation	539,594	-	-	-	69,871	609,465
Employee benefits	3,756,867	-	-	-	377,154	4,134,021
Intergovernmental	74,797	-	-	-	-	74,797
Debt service	1,307,410	-	-	-	-	1,307,410
	<u>17,825,843</u>	<u>507,702</u>	<u>6,988,835</u>	<u>-</u>	<u>2,408,015</u>	<u>27,730,395</u>
Excess (deficiency) of revenues over expenditures	(546,003)	(211,029)	(3,868,474)	9,446	95,651	(4,520,409)
Other Financing Sources (Uses):						
Bond proceeds	-	-	4,000,000	-	-	4,000,000
Transfers in	275,500	-	88,139	-	-	363,639
Transfers out	(149,806)	-	-	-	(363,639)	(513,445)
	<u>125,694</u>	<u>-</u>	<u>4,088,139</u>	<u>-</u>	<u>(363,639)</u>	<u>3,850,194</u>
Change in fund balance	(420,309)	(211,029)	219,665	9,446	(267,988)	(670,215)
Fund Equity, at Beginning of Year, as restated and reclassified	2,910,419	258,984	(2,129,885)	1,538,922	1,295,780	3,874,220
Fund Equity, at End of Year	<u>\$ 2,490,110</u>	<u>\$ 47,955</u>	<u>\$ (1,910,220)</u>	<u>\$ 1,548,368</u>	<u>\$ 1,027,792</u>	<u>\$ 3,204,005</u>

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

TOWN OF ATHOL, 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

Net Changes in fund Balances - Total Governmental Funds	\$ (670,215)																		
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital asset purchases</td> <td style="text-align: right;">8,777,380</td> </tr> <tr> <td>Capital asset dispositions, net</td> <td style="text-align: right;">(18,902)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,558,549)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue, net of the allowance for uncollectibles. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">353,911</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">1,002,958</td> </tr> <tr> <td>Principal payments on capital leases</td> <td style="text-align: right;">91,776</td> </tr> <tr> <td>Proceeds of bonds</td> <td style="text-align: right;">(4,000,000)</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(5,183)</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, other post-employment benefits, net pension liability and landfill monitoring liability, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(1,194,150)</u></td> </tr> </table> 		Capital asset purchases	8,777,380	Capital asset dispositions, net	(18,902)	Depreciation	(1,558,549)		353,911	Repayments of debt	1,002,958	Principal payments on capital leases	91,776	Proceeds of bonds	(4,000,000)		(5,183)		<u>(1,194,150)</u>
Capital asset purchases	8,777,380																		
Capital asset dispositions, net	(18,902)																		
Depreciation	(1,558,549)																		
	353,911																		
Repayments of debt	1,002,958																		
Principal payments on capital leases	91,776																		
Proceeds of bonds	(4,000,000)																		
	(5,183)																		
	<u>(1,194,150)</u>																		
Change in Net Position of Governmental Activities	\$ <u>2,779,026</u>																		

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

TOWN OF ATHOL, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Taxes	\$ 11,642,370	\$ 11,642,370	\$ 11,642,370	\$ -
Excise	975,000	975,000	1,037,207	62,207
Penalties, interest and other taxes	160,000	160,000	178,303	18,303
Charges for services	1,388,468	1,388,468	1,443,665	55,197
Intergovernmental	2,632,417	2,632,417	2,651,460	19,043
Licenses and permits	19,150	19,150	19,387	237
Fines and forfeits	30,000	30,000	26,900	(3,100)
Investment income	10,000	10,000	10,224	224
Miscellaneous	13,000	13,000	227,681	214,681
Transfers in	50,500	300,500	300,500	-
Other sources	1,050,698	1,050,698	1,050,698	-
Total Revenues and Other Sources	17,971,603	18,221,603	18,588,395	366,792
Expenditures and Other Uses:				
General government	2,022,625	2,052,625	2,084,359	(31,734)
Public safety	3,659,350	3,879,350	3,859,896	19,454
Education	4,113,251	4,113,251	4,113,251	-
Public works	1,554,626	1,554,626	1,764,583	(209,957)
Health and human services	456,084	456,084	449,665	6,419
Culture and recreation	533,831	533,831	533,494	337
Debt service	1,457,269	1,457,269	1,387,410	69,859
Intergovernmental	74,797	74,797	74,797	-
Employee benefits	3,845,799	3,845,799	3,756,867	88,932
Transfers out	237,195	237,195	247,195	(10,000)
Other uses	16,776	16,776	16,776	-
Total Expenditures and Other Uses	17,971,603	18,221,603	18,288,293	(66,690)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 300,102	\$ 300,102

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

TOWN OF ATHOL, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities Enterprise Funds			Total Enterprise
	Sewer Fund	Water Fund	Landfill Fund	
<u>ASSETS</u>				
Current:				
Cash and short-term investments	\$ 244,481	\$ 639,619	\$ 98,628	\$ 982,728
User fees receivable	409,768	348,247	-	758,015
Total current assets	654,249	987,866	98,628	1,740,743
Noncurrent:				
Capital assets, net of accumulated depreciation	7,249,412	4,266,790	485,261	12,001,463
Land and construction in progress	51,826	15,355	2,760	69,941
Total noncurrent assets	7,301,238	4,282,145	488,021	12,071,404
TOTAL ASSETS	7,955,487	5,270,011	586,649	13,812,147
DEFERRED OUTFLOW OF RESOURCES	45,295	65,947	17,485	128,727
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	8,000,782	5,335,958	604,134	13,940,874
<u>LIABILITIES</u>				
Current:				
Warrants payable	41,686	32,060	21,188	94,934
Accrued payroll	4,519	10,296	1,986	16,801
Accrued interest payable	71,327	17,267	-	88,594
Current portion of long-term liabilities: Bonds payable	365,717	220,000	30,000	615,717
Total current liabilities	483,249	279,623	53,174	816,046
Noncurrent:				
Bonds payable, net of current portion	5,143,164	1,435,000	395,000	6,973,164
Net OPEB obligation	342,241	491,716	112,118	946,075
Net pension liability	576,498	839,339	222,539	1,638,376
Other liabilities	5,056	44,663	9,591	59,310
Total noncurrent liabilities	6,066,959	2,810,718	739,248	9,616,925
TOTAL LIABILITIES	6,550,208	3,090,341	792,422	10,432,971
<u>NET POSITION</u>				
Invested in capital assets, net of related debt	1,792,357	2,627,145	488,021	4,907,523
Unrestricted	(341,783)	(381,528)	(676,309)	(1,399,620)
TOTAL NET POSITION	\$ 1,450,574	\$ 2,245,617	\$ (188,288)	\$ 3,507,903

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

TOWN OF ATHOL, 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			Total Enterprise
	Sewer Fund	Water Fund	Landfill Fund	
Operating Revenues:				
Charges for services	\$ 1,318,663	\$ 1,159,956	\$ 362,774	\$ 2,841,393
Total Operating Revenues	1,318,663	1,159,956	362,774	2,841,393
Operating Expenses:				
Salaries and wages	205,424	301,223	83,881	590,528
Operating expenses	791,273	492,524	258,339	1,542,136
Depreciation	242,903	175,451	15,164	433,518
Capital outlay	12,553	41,474	-	54,027
Total Operating Expenses	1,252,153	1,010,672	357,384	2,620,209
Operating Income	66,510	149,284	5,390	221,184
Nonoperating Revenues (Expenses):				
Intergovernmental revenue	4,051	34,110	-	38,161
Interest expense	(122,694)	(47,263)	(11,050)	(181,007)
Total Nonoperating Revenues (Expenses), Net	(118,643)	(13,153)	(11,050)	(142,846)
Income (Loss) Before Transfers	(52,133)	136,131	(5,660)	78,338
Transfers:				
Transfers in	139,806	-	-	139,806
Change in Net Position	87,673	136,131	(5,660)	218,144
Net Position at Beginning of Year, as restated	1,362,901	2,109,486	(182,628)	3,289,759
Net Position at End of Year	\$ 1,450,574	\$ 2,245,617	\$ (188,288)	\$ 3,507,903

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

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

	Business-Type Activities Enterprise Funds			<u>Total Enterprise</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Landfill Fund</u>	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 1,309,704	\$ 1,146,517	\$ 362,774	\$ 2,818,995
Payments to vendors and employees	<u>(991,750)</u>	<u>(808,059)</u>	<u>(329,600)</u>	<u>(2,129,409)</u>
Net Cash Provided By Operating Activities	317,954	338,458	33,174	689,586
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	139,806	-	-	139,806
Intergovernmental subsidy	<u>4,051</u>	<u>34,110</u>	<u>-</u>	<u>38,161</u>
Net Cash Provided By Noncapital Financing Activities	143,857	34,110	-	177,967
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Principal payments on bonds, notes and capital leases	(358,657)	(220,000)	(30,000)	(608,657)
Purchase of capital assets	(186,099)	(134,747)	-	(320,846)
Interest payments	<u>(126,710)</u>	<u>(49,604)</u>	<u>(11,050)</u>	<u>(187,364)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(671,466)</u>	<u>(404,351)</u>	<u>(41,050)</u>	<u>(1,116,867)</u>
Net Change in Cash and Short-Term Investments	(209,655)	(31,783)	(7,876)	(249,314)
Cash and Short Term Investments, Beginning of Year	<u>454,136</u>	<u>671,402</u>	<u>106,504</u>	<u>1,232,042</u>
Cash and Short Term Investments, End of Year	<u>\$ 244,481</u>	<u>\$ 639,619</u>	<u>\$ 98,628</u>	<u>\$ 982,728</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>				
Operating income	\$ 66,510	\$ 149,284	\$ 5,390	\$ 221,184
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	242,903	175,451	15,164	433,518
Changes in assets and liabilities:				
User fees and other receivables	(8,959)	(13,439)	-	(22,398)
Deferred outflows - pension	(45,295)	(65,947)	(17,485)	(128,727)
Warrants / accounts payable	6,126	9,459	3,577	19,162
Accrued / other liabilities	2,008	4,067	5,427	11,502
Net pension liabilities	<u>54,661</u>	<u>79,583</u>	<u>21,101</u>	<u>155,345</u>
Net Cash Provided By Operating Activities	<u>\$ 317,954</u>	<u>\$ 338,458</u>	<u>\$ 33,174</u>	<u>\$ 689,586</u>

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

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

	<u>Agency Funds</u>	<u>OPEB Trust fund</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 51,009	\$ 10,000
Accounts receivable	<u>53,872</u>	<u>-</u>
Total Assets	104,881	10,000
 <u>LIABILITIES AND NET POSITION</u>		
Other liabilities	<u>104,881</u>	<u>-</u>
Total Liabilities	<u>104,881</u>	<u>-</u>
 <u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>-</u></u>	\$ <u><u>10,000</u></u>

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

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

	<u>OPEB Trust Fund</u>
Additions:	
Transfer in	\$ <u>10,000</u>
Net increase	10,000
Net position:	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 10,000</u></u>

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

Town of Athol, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Athol (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 39 criteria of component units.

The Athol Contributory Retirement System was dissolved on December 31, 2014 in accordance with Massachusetts General Law Chapter 360 of the Acts of 2014. All system assets, liabilities and membership became part of the Worcester Regional Retirement System effective January 1, 2015.

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 *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 are 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 *CDBG fund* is used to account for grant and program income resulting from the Town's Federal Community Development Block Grant.
- The *Capital Project fund* is used to account for various construction projects funded through grants and bonding.
- The *Non-expendable Trust fund* is used to account for funds that are permanently restricted. Earnings on these funds are reported in expendable funds.

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:

- sewer fund
- water fund
- landfill fund

The *OPEB trust fund* accumulates resources for other post-employment retiree benefits for qualified employees.

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 cap-

tion “cash and cash equivalents”. The interest earnings attributable to each fund type is 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 cash equivalents.

E. Investments

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

F. Property Tax Limitations

Legislation known as “Proposition 2 1/2” limits the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2015 tax levy reflected an excess capacity of \$2,918.

G. Capital Assets

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	7 - 20
Vehicles	5
Office equipment	5 - 10
Computer equipment	5
Infrastructure	20 - 50

H. 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 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.

I. Long-Term Obligations

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

J. Fund Equity

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

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance 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., 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, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

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

2. **Stewardship, Compliance and Accountability**

A. *Budgetary Information*

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

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

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

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

B. *Budgetary Basis*

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

C. *Budget/GAAP Reconciliation*

The budgetary data for the general fund 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 with budgetary data.

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 17,279,840	\$ 17,825,843
Other financing sources/uses (GAAP basis)	275,500	149,806
Adjust for effect of combining Stabilization Fund and General Fund per GASB 54	20,521	97,389
Adjust tax revenue to accrual basis	(38,164)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(567,450)
Add end of year appropriation carryforwards to expenditures	-	765,929
Recognize fund balance as funding source/use	<u>1,050,698</u>	<u>16,776</u>
Budgetary basis	<u>\$ 18,588,395</u>	<u>\$ 18,288,293</u>

D. Deficit Fund Equity

The following funds were in deficit as of June 30, 2015:

<u>Capital Projects Fund</u>	
North Quabbin Business Park	\$ 1,651,834
Elementary School Project	<u>337,524</u>
	<u>\$ 1,989,358</u>

The deficits in these funds will be eliminated through future bond issues and grant revenue.

E. Excess of Expenditures Over Appropriations

Expenditures exceeding appropriations during the current year were as follows:

Snow and ice	\$209,958
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The excess of expenditures over appropriations appearing under General Government on page 18 of the accompanying financial statements does not constitute an overexpenditure under Massachusetts General Laws, but is the result of an inconsistency in how certain line items within the Treas-

urer's department (i.e. debt service) are grouped for budgetary purposes versus financial statement presentation purposes.

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 to it. Massachusetts General Laws Chapter 44, Section 55 limits 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." Massachusetts General Law Chapter 32, Section 23, limits the Town's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2015, \$382,020 of the Town's bank balance of \$7,427,828 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the Town's name.

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). The Town's investment policy manages credit risk by only purchasing investment grade securities with a high concentration in securities rated A and above.

Presented below is the actual rating as of year-end for each investment of the Town:

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Year End			
			AAA/AA3	A3	A1	Baa1
Government securities	\$ 1,294,362	\$ -	\$ 1,294,362	\$ -	\$ -	\$ -
Corporate bonds	680,765	-	133,921	85,317	50,440	411,087
Mutual funds	213,276	213,276	-	-	-	-
Certificates of deposit	434,806	434,806	-	-	-	-
Total investments	\$ 2,623,209	\$ 648,082	\$ 1,428,283	\$ 85,317	\$ 50,440	\$ 411,087

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 investment policy manages custodial credit risk by prudent review and selection of depositories.

As of June 30, 2015 \$1,758,477 of the Town's total investments of \$2,623,209 is exposed to custodial credit risk because the related securities are uninsured, unregistered and/or held by the Town's brokerage firm, which is also the Counterparty to these securities, but not in the Town's name. The Town manages this risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

The Town does not have an investment in any one issuer (other than the government securities) greater than 5% of their respective total investments. The Town's investment policy manages concentration of credit risk by diversifying the investment portfolio.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy limits and monitors investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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>	<u>N/A</u>
Government securities	\$ 1,294,362	\$ 350,536	\$ 943,826	\$ -
Corporate bonds	680,765	114,751	566,014	-
Mutual funds	213,276	-	-	213,276
Certificates of deposit	434,806	125,256	309,550	-
Total	\$ <u>2,623,209</u>	\$ <u>590,543</u>	\$ <u>1,819,390</u>	\$ <u>213,276</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 prohibits investment in any instrument exposed to foreign currency risk.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a semiannual 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	\$	343,425	
2014		144,338	
2013		60,681	
prior years		26,491	
		<u> </u>	574,935
Personal Property			
2015		4,470	
2014		4,285	
prior years		10,564	
		<u> </u>	19,319
Deferred Taxes			<u>21,100</u>
Total	\$		<u><u>615,354</u></u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Property taxes	\$ 55,667
Tax liens	80,381
Excises	185,932
Ambulance	355,076
Parking tickets	9,004

7. Intergovernmental Receivables

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

8. Loans Receivable

Loans receivable consist of the following:

	<u>Total</u>	<u>Less Current Portion</u>	<u>Equals Non-Current Portion</u>
Housing rehabilitation (deferred payment loans)	\$ 3,109,225		
Less allowance for uncollectibles	<u>(2,088,205)</u>		
Housing rehabilitation, net	\$ 1,021,020	\$ -	\$ 1,021,020
Small business loans	247,808		
Less allowance for uncollectibles	<u>(69,639)</u>		
Small business loans, net	178,169	(27,148)	151,021
Land improvement loan	30,000	(3,750)	26,250
Title V septic loans	<u>27,529</u>	<u>(4,955)</u>	<u>22,574</u>
Total	<u>\$ 1,256,718</u>	<u>\$ (35,853)</u>	<u>\$ 1,220,865</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance <u>(restated)</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 2,380,079	\$ -	\$ -	\$ 2,380,079
Buildings and improvements	15,469,903	163,604	-	15,633,507
Machinery, equipment, and furnishings	6,201,617	352,122	-	6,553,739
Infrastructure	<u>11,562,781</u>	<u>627,570</u>	<u>-</u>	<u>12,190,351</u>
Total capital assets, being depreciated	35,614,380	1,143,296	-	36,757,676
Less accumulated depreciation for:				
Land improvements	(235,867)	(409,193)	-	(645,060)
Buildings and improvements	(2,643,894)	(116,538)	-	(2,760,432)
Machinery, equipment, and furnishings	(4,347,915)	(452,410)	-	(4,800,325)
Infrastructure	<u>(3,776,312)</u>	<u>(580,408)</u>	<u>-</u>	<u>(4,356,720)</u>
Total accumulated depreciation	<u>(11,003,988)</u>	<u>(1,558,549)</u>	<u>-</u>	<u>(12,562,537)</u>
Total capital assets, being depreciated, net	24,610,392	(415,253)	-	24,195,139
Capital assets, not being depreciated:				
Land	1,377,095	34,611	(18,902)	1,392,804
Construction in progress (CIP)	<u>3,400,810</u>	<u>7,599,473</u>	<u>-</u>	<u>11,000,283</u>
Total capital assets, not being depreciated	<u>4,777,905</u>	<u>7,634,084</u>	<u>(18,902)</u>	<u>12,393,087</u>
Governmental activities capital assets, net	<u>\$ 29,388,297</u>	<u>\$ 7,218,831</u>	<u>\$ (18,902)</u>	<u>\$ 36,588,226</u>

	Beginning Balance	<u>Increases</u>	<u>Decreases</u>	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 200,000	\$ -	\$ -	\$ 200,000
Buildings and improvements	12,080,755	320,846	-	12,401,601
Machinery, equipment, and furnishings	1,081,911	-	-	1,081,911
Infrastructure	<u>5,696,731</u>	<u>-</u>	<u>-</u>	<u>5,696,731</u>
Total capital assets, being depreciated	19,059,397	320,846	-	19,380,243
Less accumulated depreciation for:				
Land improvements	(100,000)	(10,000)	-	(110,000)
Buildings and improvements	(4,723,486)	(244,103)	-	(4,967,589)
Machinery, equipment, and furnishings	(722,130)	(109,501)	-	(831,631)
Infrastructure	<u>(1,399,646)</u>	<u>(69,914)</u>	<u>-</u>	<u>(1,469,560)</u>
Total accumulated depreciation	<u>(6,945,262)</u>	<u>(433,518)</u>	<u>-</u>	<u>(7,378,780)</u>
Total capital assets, being depreciated, net	12,114,135	(112,672)	-	12,001,463
Capital assets, not being depreciated:				
Land	<u>69,941</u>	<u>-</u>	<u>-</u>	<u>69,941</u>
Total capital assets, not being depreciated	<u>69,941</u>	<u>-</u>	<u>-</u>	<u>69,941</u>
Business-type activities capital assets, net	<u>\$ 12,184,076</u>	<u>\$ (112,672)</u>	<u>\$ -</u>	<u>\$ 12,071,404</u>

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

Governmental Activities:	
General government	\$ 117,962
Public safety	277,340
Public works	889,243
Human services	32,506
Culture and recreation	<u>241,498</u>
Total depreciation expense - governmental activities	<u>\$ 1,558,549</u>
Business-Type Activities:	
Sewer	\$ 242,903
Water	175,451
Landfill	<u>15,164</u>
Total depreciation expense - business-type activities	<u>\$ 433,518</u>

10. Deferred Outflows of Resources

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

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

	Entity-wide Basis		Fund Basis		
	Governmental Activities	Business-type Activities	Sewer	Proprietary Funds Water	Landfill
Net difference between projected and actual earnings on pension plan investments	\$ 116,092	\$ 11,975	\$ 4,213	\$ 6,135	\$ 1,627
Changes in proportion and differences between contributions and proportionate share of pension contributions	<u>1,131,939</u>	<u>116,752</u>	<u>41,082</u>	<u>59,812</u>	<u>15,858</u>
Total	<u>\$ 1,248,031</u>	<u>\$ 128,727</u>	<u>\$ 45,295</u>	<u>\$ 65,947</u>	<u>\$ 17,485</u>

11. Warrants and Accounts Payable

Warrants payable represent 2015 expenditures paid by July 15, 2015 as permitted by law. Accounts payable represent additional 2015 expenditures paid after July 15, 2015.

12. Anticipation Notes Payable

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

	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2015</u>
<u>Governmental Activities</u>				
Bond anticipation	0.40%	11/25/14	08/12/15	\$ 2,474,052
Bond anticipation	0.55%	03/17/15	03/17/16	2,000,000
MCWT Loan CWT-14-07	0.10%	01/06/15	TBD	<u>38,400</u>
Total Governmental Activities				<u>\$ 4,512,452</u>

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>
<u>Governmental Activities</u>				
State anticipation	\$ 280,700	\$ -	\$ (280,700)	\$ -
Bond anticipation	5,000,500	4,474,052	(5,000,500)	4,474,052
MCWT Loan CWT-14-07 proceeds	<u>-</u>	<u>38,400</u>	<u>-</u>	<u>38,400</u>
Total Governmental	<u>\$ 5,281,200</u>	<u>\$ 4,512,452</u>	<u>\$ (5,281,200)</u>	<u>\$ 4,512,452</u>

13. Deferred Inflows of Resources

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

The deferred inflow of resources balance as of June 30, 2015 consists of un-earned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The balance of the general fund deferred revenues account is equal to the total of all June 30, 2015 receivable balances.

14. 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. Payment is not limited to a particular revenue source. However, as previously noted, the Town's ability to raise property taxes is restricted by the enactment of legislation known as "Proposition 2 1/2". General obligation debt currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2015
<u>Bonds Payable:</u>			
<u>Governmental Activities</u>			
Title V (MWPAT)	08/01/19	-	\$ 39,080
General obligation bond 2007	04/01/27	3.75 - 5.0	1,715,000
General obligation bond 2013	09/01/27	2.0 - 4.0	3,145,000
Elementary school	11/15/34	2.0 - 4.0	4,000,000
Total Governmental Activities			8,899,080
<u>Business-type Activities</u>			
Sewer (MWPAT 97-24)	08/01/18	1.0 - 2.0	67,800
Water bond (MWPAT 99-18)	08/01/19	1.0 - 2.0	375,000
Water bond (MWPAT 99-18A)	08/01/20	1.0 - 2.0	335,000
Water portion GOB 2007	04/01/27	3.75 - 5.0	675,000
Sewer (MWPAT CW 05-27)	07/15/27	2.0	4,868,936
Water portion GOB 2013	09/01/27	2.0 - 4.0	270,000
Transfer station portion GOB 2013	09/01/27	2.0 - 4.0	425,000
Sewer treatment plant (USDA)	07/25/47	4.25	572,145
Total Business-Type Activities			7,588,881
Total Bonds Payable			\$ 16,487,961

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,202,816	\$ 261,650	\$ 1,464,466
2017	1,202,816	222,366	1,425,182
2018	1,197,816	191,178	1,388,994
2019	452,816	171,678	624,494
2020	452,816	158,628	611,444
2021-2025	2,010,000	594,358	2,604,358
2026-2030	1,380,000	299,637	1,679,637
2031 and thereafter	1,000,000	100,000	1,100,000
Total	\$ 8,899,080	\$ 1,999,495	\$ 10,898,575
<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 615,717	\$ 170,364	\$ 786,081
2017	627,909	154,756	782,665
2018	640,236	139,686	779,922
2019	652,701	126,056	778,757
2020	642,107	113,703	755,810
2021-2025	2,572,246	394,066	2,966,312
2026-2030	1,539,795	122,628	1,662,423
2031 and thereafter	298,170	110,411	408,581
Total	\$ 7,588,881	\$ 1,331,670	\$ 8,920,551

C. Overlapping Debt

The Town is a member community of other governmental agencies which are authorized to issue debt. The Town is not directly responsible for the payment or guarantee of these debts; however, annual debt service costs are included in the operating budgets of these agencies, and are funded through user charges and/or assessments to the Town. The following summarizes the debt of these other agencies (in thousands) and the Town's related participation percentages as of June 30, 2015:

<u>Related Entity</u>	<u>Total Principal</u>	<u>State Reimburse.*</u>	<u>Net Principal</u>	<u>Town's Percent</u>	<u>Town's Share</u>
Athol-Royalston Regional School District:					
Royalston School	\$ 871	\$ 698	\$ 173	62.12%	\$ 107
Deficit Bond	127	-	127	93.69%	119
Totals	<u>\$ 998</u>	<u>\$ 698</u>	<u>\$ 300</u>		<u>\$ 226</u>

* Certain debt is being reimbursed at 80.1 percent by the Massachusetts School Building Authority. The Town's share is shown net of this reimbursement.

This liability is appropriately not reported in the accompanying financial statements.

D. Changes in General Long-Term Liabilities

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

	<u>Total Balance July 1, 2014 (restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance June 30, 2015</u>	<u>Less Current Portion</u>	<u>Long-Term Portion June 30, 2015</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 5,902,038	\$ 4,000,000	\$ (1,002,958)	\$ 8,899,080	\$ (1,202,816)	\$ 7,696,264
Other post-employment benefits	10,131,315	951,148	-	11,082,463	-	11,082,463
Net pension liability	14,378,264	1,506,096	-	15,884,360	-	15,884,360
Other:						
Capital lease obligation	91,776	-	(91,776)	-	-	-
Landfill closure	455,000	-	(35,000)	420,000	(35,000)	385,000
Accrued employee benefits	733,943	19,937	-	753,880	-	753,880
Totals	<u>\$ 31,692,336</u>	<u>\$ 6,477,181</u>	<u>\$ (1,129,734)</u>	<u>\$ 37,039,783</u>	<u>\$ (1,237,816)</u>	<u>\$ 35,801,967</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 8,197,538	\$ -	\$ (608,657)	\$ 7,588,881	\$ (615,717)	\$ 6,973,164
Other post-employment benefits	947,573	-	(1,498)	946,075	-	946,075
Net pension liability	1,483,031	155,345	-	1,638,376	-	1,638,376
Other:						
Accrued employee benefits	47,368	11,942	-	59,310	-	59,310
Totals	<u>\$ 10,675,510</u>	<u>\$ 167,287</u>	<u>\$ (610,155)</u>	<u>\$ 10,232,642</u>	<u>\$ (615,717)</u>	<u>\$ 9,616,925</u>

15. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The Town stopped accepting waste in fiscal year 1995, and the closure process was completed in fiscal year 1996. Closure costs were funded by permanent bonds and a State grant. Monitoring costs are expected to be funded through annual appropriations.

The \$420,000 reported as post-closure care liability at June 30, 2015 represents the estimated annual monitoring costs of \$35,000 for the next 12 years. This amount is based on what it would cost to perform all post-closure care in 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Transfers In/Out

The Town's routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them. The transfers to the airport and sewer funds from the general fund are made to supplement the budget.

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	\$ 275,500	\$ 149,806
Capital Project Fund	88,139	-
Nonmajor Governmental Funds:		
Ambulance revolving fund	-	220,000
Other grant / revolving funds	-	108,639
Trust funds	-	35,000
Sewer enterprise fund	139,806	-
OPEB trust fund	10,000	-
Total	<u>\$ 513,445</u>	<u>\$ 513,445</u>

17. Governmental Funds – Balances

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

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

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

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes appropriation balances for projects 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 funds set aside by Town Meeting vote for future capital acquisitions.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes prior years' revenue set-aside to reduce future debt expense, 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 and surplus (free cash) to be used as a funding source in the subsequent year's budget.

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

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

	General Fund	CDBG Fund	Capital Project Fund	Nonexpendable Trust Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 1,548,368	\$ -	\$ 1,548,368
Total Nonexpendable	-	-	-	1,548,368	-	1,548,368
Restricted						
Capital project funds	-	-	79,138	-	-	79,138
Special revenue funds	-	47,955	-	-	716,003	763,958
Expendable permanent funds	-	-	-	-	311,789	311,789
Total Restricted	-	47,955	79,138	-	1,027,792	1,154,885
Committed						
Special articles	505,022	-	-	-	-	505,022
Total Committed	505,022	-	-	-	-	505,022
Assigned						
Reserved for debt exclusion	167,304	-	-	-	-	167,304
Encumbrances	260,907	-	-	-	-	260,907
Reserved for expenditures	140,563	-	-	-	-	140,563
Total Assigned	568,774	-	-	-	-	568,774
Unassigned						
General fund	635,238	-	-	-	-	635,238
Stabilization fund	781,076	-	-	-	-	781,076
Deficit funds	-	-	(1,989,358)	-	-	(1,989,358)
Total Unassigned	1,416,314	-	(1,989,358)	-	-	(573,044)
Total Fund Balance	\$ 2,490,110	\$ 47,955	\$ (1,910,220)	\$ 1,548,368	\$ 1,027,792	\$ 3,204,005

18. Subsequent Events

Short term debt

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

<u>Purpose</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>
Revenue anticipation	0.74%	07/29/15	03/18/16	\$ 1,591,000
Bond anticipation:				
Business Park project	0.65%	08/12/15	03/17/16	2,018,999
Elementary School project	0.55%	09/24/15	03/17/16	2,500,000
Elementary School project	0.60%	09/24/15	03/17/16	2,500,000

MCWT Septic Loan

In addition in August 2014 the Town entered into a financing agreement with the Massachusetts Clean Water Trust (MCWT) for a \$200,000 loan to provide Title V septic loans to homeowners. The loan carries an interim interest rate of

.10%, with a permanent loan closing not later than December 31, 2015 and a permanent interest rate of 2%, payable over 20 years.

In January 2015, the Town made their first draw on this loan for \$38,400; in August 2015, the Town drew an additional \$40,000.

EPA Settlement

In February 2016, the Town reached a settlement with Environmental Protection Agency whereby the Town agreed to pay \$275,000 as their share of environmental clean-up costs related to a Town owned property. Payment is to be made in three installments; \$100,000 in May 2016 and two payments of \$87,500 each, due in September 2016 and September 2017.

19. Commitments and Contingencies

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.

School Building Project – In January 2014, the Town authorized borrowing of \$43,931,363 to fund the Athol Elementary School Building Project, which is being expended under the direction of the School Building Committee. The Town is directly responsible for approximately \$16.3 million of the total project costs; Massachusetts School Building Authority grant funds will be used for the balance of the project costs. As of June 30, 2015, total project costs were approximately \$7 million.

Solar Power Services Agreement – In February 2013 the Town entered into a solar power services agreement whereby the Town agrees to buy 100% of the power generated from solar arrays (constructed on property owned by a third party) for an initial period of 25 years, with automatic one year renewals thereafter.

Water Line Extension – In October 2013, the Town voted to designate an area, including the North Quabbin Business Park, as a Development District. At the same time, the Town allowed for District Improved Financing (DIF) and authorized borrowing of \$3,065,000 to pay the cost of extending the Town's water system to the Development District. Through the DIF, a portion of tax receipts from the Development District will be specifically allocated to pay the debt service on the municipal bond.

20. Operating Leases

The Town has entered into two agreements to lease Town property to two organizations:

The Town has an agreement to lease a municipal parking lot at the intersection of South, Freedom and Main Streets to OSJ of Athol, Inc. for a term of 10 years, starting January 1, 2010 and ending December 31, 2019 for \$1,000 per month. The lease agreement contains two options to extend the lease for 5 year periods with rent increasing to \$1,300 and \$1,500 respectively.

The Town renewed an agreement with Sherwin-Williams Company to lease property at 72 Freedom Street for a term of 5 years, starting May 1, 2014 and ending April 30, 2019. Rent payable to the Town is \$3,402.78 per month. The agreement contains an option to renew the lease for an additional 5 years at \$3,913.20 per month.

21. 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 revenues, expenses, and changes in net position 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 in the following footnote, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2013, the actuarial valuation date, approximately 110 retirees and 100 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All

active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute approximately 20% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis. The Town has adopted Section 18 of MGL Ch. 32B, which requires retirees who are enrolled in or eligible for coverage under Medicare Part A to enroll/transfer to a Medicare extension or supplemental plan.

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 dated July 1, 2013.

	Governmental Activities	Sewer Fund	Water Fund	Landfill Fund	Total
Annual Required Contribution (ARC)	\$ 2,137,092	\$ 29,400	\$ 57,139	\$ 8,349	\$ 2,231,980
Interest on net OPEB obligation	401,768	14,977	21,521	4,890	443,156
Adjustment to ARC	(558,515)	(20,821)	(29,917)	(6,798)	(616,051)
Amortization of actuarial (gains) / losses	<u>(399,221)</u>	<u>(23,556)</u>	<u>(48,743)</u>	<u>(6,441)</u>	<u>(477,961)</u>
Annual OPEB cost	1,581,124	-	-	-	1,581,124
Contributions made	<u>(629,976)</u>	<u>(602)</u>	<u>(896)</u>	<u>-</u>	<u>(631,474)</u>
Increase in net OPEB obligation	951,148	(602)	(896)	-	949,650
Net OPEB obligation - beginning of year	<u>10,131,315</u>	<u>342,843</u>	<u>492,612</u>	<u>112,118</u>	<u>11,078,888</u>
Net OPEB obligation - end of year	<u>\$ 11,082,463</u>	<u>\$ 342,241</u>	<u>\$ 491,716</u>	<u>\$ 112,118</u>	<u>\$ 12,028,538</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 Costs</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$1,581,124	40%	\$12,028,538
2014	\$1,520,652	40%	\$11,078,888
2013	\$2,242,176	29%	\$10,161,215
2012	\$2,028,682	31%	\$ 8,577,001
2011	\$1,930,199	30%	\$ 7,175,146
2010	\$3,685,574	17%	\$ 5,826,076
2009	\$3,257,000	15%	\$ 2,773,000

The Town's net OPEB obligation as of June 30, 2015 is recorded as a long-term liability in both the governmental and business-type activities.

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)	\$ 17,079,246
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 17,079,246</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>5,233,539</u>
UAAL as a percentage of covered payroll	<u>326.3%</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.

In October 2014, the Town established an OPEB Trust Fund under MGL Chapter 32B, Section 20. The balance in the trust fund is \$10,000 as of June 30, 2015.

F. Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The actuarial assumptions included a 4% investment rate of return, an annual healthcare cost trend rate of 5%, and salary increases of 3% per annum. The amortization costs for the UAAL is a level dollar amount over 30 years at the last valuation. The remaining amortization period is 24 years at July 1, 2013.

22. Athol Contributory 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

As of the valuation date of January 1, 2013 (rolled forward to December 31, 2014), substantially all employees of the Town were members of the Athol Contributory Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publically available from the Town located at 584 Main Street, Athol, MA 01331.

B. System Dissolution

The System was dissolved by an act of law (MGL Chapter 360 of the Acts of 2014) effective December 31, 2014, with all assets, liabilities and mem-

bership responsibility being transferred to the Worcester Regional Retirement System effective January 1, 2015.

C. 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 for those hired prior to April 2, 2012 and the highest five year average for those first becoming members of the MA System on or after that date. 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 attaining 20 years of service. The plan also provides for 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 participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 50 for groups 1 and 2, respectively. 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.

D. Contributions

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

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

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

The Town's contribution to the System for the year ended June 30, 2015 was \$1,573,182, which was equal to its annual required contribution.

E. 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.

F. 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 \$17,522,736 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2013 (rolled forward to December 31, 2014), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Town's proportion was 67.76 percent, which was an increase of 5.7 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the Town recognized pension expense of \$1,635,049. 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	\$ 128,066
Changes in proportion and differences between contributions and proportionate share of contributions	<u>1,248,692</u>
Total	<u>\$ 1,376,758</u>

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

Year ended June 30:

2016	\$ 240,132
2017	240,132
2018	240,132
2019	240,132
2020	208,115
2021	<u>208,115</u>
Total	<u>\$ 1,376,758</u>

Actuarial assumptions: The total pension liability in the January 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/13 (rolled forward to 12/31/14)
Actuarial cost method	<u>Entry Age</u>
Actuarial assumptions:	
Investment rate of return	<u>7.75%</u>
Projected salary increases	<u>4.25 - 4.75%</u>
Inflation rate	<u>Not explicitly assumed</u>
Post-retirement cost-of-living adjustment	<u>3% on first \$12,000</u>

Mortality rates were based on mortality tables as follows:

Pre-retirement rates reflect the RP-2000 Employees table projected 20 years with Scale AA (gender distinct).

Post retirement rates reflect the RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct).

For disabled retirees, this table is set forward 2 years.

The actuarial assumptions used in the January 1, 2013 valuation were based on the results of the most recent actuarial experience study, which was issued in March 2002.

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>Real Return Arithmetic Basis</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Equities	14.50%	7.75%	7.75%
Small/Mid Cap Equities	3.50%	8.00%	8.00%
Int'l Equities (Unhedged)	16.00%	8.25%	8.25%
Emerging Int'l Equities	6.00%	9.50%	9.50%
High-Yield Bonds	1.50%	6.00%	6.00%
Bank Loans	1.50%	6.25%	6.25%
EMD (External)	1.00%	7.00%	7.00%
EMD (Local Currency)	2.00%	7.25%	7.25%
TIPS	3.00%	4.50%	4.50%
Long Treasuries	10.00%	4.25%	4.25%
Private Equity	10.00%	9.75%	9.75%
Private Debt	4.00%	8.25%	8.25%
Real Estate (Core)	10.00%	6.50%	6.50%
Hedge Funds	9.00%	7.00%	7.00%
Timber/Natural Resources	4.00%	6.88%	6.88%
Portfolio Completion Strategies	4.00%	N/A	N/A
Total	<u>100.00%</u>		

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. 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 7.75 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate (amounts expressed in thousands):

Fiscal Year Ended	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
June 30, 2015	\$ 21,211	\$ 17,523	\$ 14,337

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 government 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. Beginning Net Position / Fund Balance Restatement and Reclassification

In fiscal year 2015, the Town implemented GASB Statement No. 68, Account and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. As a result of the implementation, the beginning (July 1, 2014) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	As Previously Stated <u>6/30/2014</u>	Record Net Pension Liability	As Restated <u>6/30/2014</u>
Governmental activities	\$ <u>18,675,663</u>	\$ <u>(14,378,264)</u>	\$ <u>4,297,399</u>
Business-Type activities			
Sewer fund	1,884,738	(521,837)	1,362,901
Water fund	2,869,242	(759,756)	2,109,486
Landfill fund	<u>18,810</u>	<u>(201,438)</u>	<u>(182,628)</u>
Total Enterprise Funds	\$ <u>4,772,790</u>	\$ <u>(1,483,031)</u>	\$ <u>3,289,759</u>

In addition, the Town's major governmental funds for fiscal year 2015, as defined by GASB Statement 34, have changed from the previous fiscal year in addition to being restated. Accordingly, the following reconciliation is provided:

	Library Grant Fund	Capital Project Fund	Nonmajor Governmental Fund
As previously stated, 6/30/14	\$ 106,193	\$ (2,523,014)	\$ 1,189,587
Reclassify major funds in accordance with GASB 34	(106,193)		106,193
Correct for over-accrual of expense	<u>-</u>	<u>393,129</u>	<u>-</u>
As restated and reclassified, 6/30/14	\$ <u>-</u>	\$ <u>(2,129,885)</u>	\$ <u>1,295,780</u>

TOWN OF ATHOL, MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2015

(Unaudited)

(Amounts Expressed in Thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/13	\$ -	\$ 17,079	\$ 17,079	0.0%	\$5,234	326.3%
07/01/12	\$ -	\$ 26,875	\$ 26,875	0.0%	N/A	N/A
07/01/10	\$ -	\$ 21,252	\$ 21,252	0.0%	N/A	N/A
07/01/07	\$ -	\$ 29,902	\$ 29,902	0.0%	N/A	N/A

See Independent Auditors' Report.

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

<u>Athol Contributory Retirement System</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	<u>67.76%</u>
Proportionate share of the net pension liability for the most recent measurement date	<u>\$ 17,522,736</u>
Covered-employee payroll for the most recent measurement date	<u>\$ 4,526,960</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>387.08%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>48.49%</u>

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

See Independent Auditors' Report.

TOWN OF ATHOL, MASSACHUSETTS
 SCHEDULE OF CONTRIBUTIONS
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2015
 (Unaudited)

<u>Athol Contributory Retirement System</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 1,573,182
Contributions in relation to the contractually required contribution	<u>1,573,182</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current fiscal year	\$ <u>4,526,960</u>
Contributions as a percentage of covered-employee payroll	<u>34.8%</u>

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