

**TOWN OF
WEST BOYLSTON, MASSACHUSETTS**

Annual Financial Statements

For the Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of West Boylston, Massachusetts

Additional Offices:

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund (except for the Electric Enterprise Fund), and the aggregate remaining fund information of the Town of West Boylston, 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 did not audit the financial statements of the West Boylston Municipal Light Plant, a major enterprise fund, which represent 32% and 86% of the assets, and operating revenues, respectively, of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the West Boylston Municipal Light Plant, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the West Boylston Municipal Light plant, a major proprietary fund, were not audited in accordance with Government Auditing Standards.

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, based on our audit and the report of the other auditors, 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 West Boylston, 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.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

January 19, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of West Boylston, we offer readers this narrative overview and analysis of the financial activities of the Town of West Boylston for the fiscal year ended June 30, 2015. All amounts are presented in thousands.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of West Boylston'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 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 and intergovernmental assessments.

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 electric and sewer operations.

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

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

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 \$38,559 (i.e., net position), a change of \$(494) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$6,352, a change of \$121 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,905, a change of \$(128) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$8,506 (exclusive of the Electric Enterprise Fund), a change of \$(1,294) 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. All amounts are presented in thousands.

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 10,922	\$ 11,356	\$ 19,416	\$ 19,770	\$ 30,338	\$ 31,126
Capital assets	18,449	15,615	36,076	36,987	54,525	52,602
Deferred outflows of resources	8	-	-	-	8	-
Total assets and deferred outflows	29,379	26,971	55,492	56,757	84,871	83,728
Long-term liabilities outstanding	27,940	11,369	9,108	10,743	37,048	22,112
Notes payable	1,900	2,000	-	-	1,900	2,000
Other liabilities	882	842	797	847	1,679	1,689
Deferred inflows of resources	-	-	5,685	5,824	5,685	5,824
Total liabilities and deferred inflows	30,722	14,211	15,590	17,414	46,312	31,625
Net position:						
Net investment in capital assets	11,334	10,596	27,188	27,684	38,522	38,280
Restricted	4,685	4,272	842	3,592	5,527	7,864
Unrestricted	(17,362)	(2,108)	11,872	8,067	(5,490)	5,959
Total net position	\$ (1,343)	\$ 12,760	\$ 39,902	\$ 39,343	\$ 38,559	\$ 52,103

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,564	\$ 1,572	\$ 9,366	\$ 8,682	\$ 10,930	\$ 10,254
Operating grants and contributions	6,585	8,092	-	-	6,585	8,092
Capital grants and contributions	105	99	244	251	349	350
General revenues:						
Property taxes	15,335	14,424	-	-	15,335	14,424
Excises	1,006	1,006	-	-	1,006	1,006
Penalties and interest on loans	897	878	-	-	897	878
Grants and contributions not restricted to specific programs	122	162	-	-	122	162
Miscellaneous	507	410	-	-	507	410
Investment income	10	14	61	56	71	70
Total revenues	<u>26,131</u>	<u>26,657</u>	<u>9,671</u>	<u>8,989</u>	<u>35,802</u>	<u>35,646</u>
Expenses:						
General government	1,350	1,436	-	-	1,350	1,436
Public safety	2,473	2,543	-	-	2,473	2,543
Education	13,595	15,096	-	-	13,595	15,096
Public works	2,418	1,661	-	-	2,418	1,661
Health and human services	295	251	-	-	295	251
Culture and recreation	618	572	-	-	618	572
Employee benefits	5,732	5,211	-	-	5,732	5,211
Interest on long-term debt	103	107	-	-	103	107
Intergovernmental	612	568	-	-	612	568
Sewer	-	-	2,190	1,962	2,190	1,962
Electric	-	-	6,922	7,225	6,922	7,225
Total expenses	<u>27,196</u>	<u>27,445</u>	<u>9,112</u>	<u>9,187</u>	<u>36,308</u>	<u>36,632</u>
Change in net position before permanent fund contributions	(1,065)	(788)	559	(198)	(506)	(986)
Permanent fund contributions	<u>12</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>5</u>
Change in net position	(1,053)	(783)	559	(198)	(494)	(981)
*Net position - beginning of year, as restated	<u>(290)</u>	<u>13,543</u>	<u>39,343</u>	<u>39,541</u>	<u>39,053</u>	<u>53,084</u>
Net position - end of year	<u>\$ (1,343)</u>	<u>\$ 12,760</u>	<u>\$ 39,902</u>	<u>\$ 39,343</u>	<u>\$ 38,559</u>	<u>\$ 52,103</u>

* Restated as described in Note 23.

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 were \$38,559, a change of \$(494) from the prior year.

The largest portion of net position \$38,522 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital

assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$5,527 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit balance of \$(5,490) primarily resulting from the Town's unfunded net pension liability.

Governmental activities. Governmental activities for the year resulted in a decrease in net position of \$(1,053). Key elements of this increase are as follows:

Principal debt service in excess of depreciation expense	\$ 14
Increase in net OPEB obligation	(1,342)
Capital assets acquired from current year revenues	884
Other	<u>(609)</u>
Total	\$ <u><u>(1,053)</u></u>

Business-type activities. Business-type activities for the year resulted in an increase in net position of \$560. Key elements of this change are as follows:

Electric operations	\$ 1,180
Sewer operations	<u>(620)</u>
Total	\$ <u><u>560</u></u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$6,352, a change of \$121 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues, proceeds from Capital Lease and transfers in excess of expenditures and transfers out	\$ (134)
Town Hall Acquisition / Renovation expenditures in excess of transfers in	(125)
Non-major funds expenditures and transfers out in excess of revenues and transfers in	<u>380</u>
Total	\$ <u><u>121</u></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 \$1,905, while total fund balance was \$3,570. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance ¹	\$ 1,905	\$ 2,033	\$ (128)	7.4%
Total fund balance ²	\$ 3,570	\$ 3,704	\$ (134)	13.9%

¹ Includes General Stabilization fund.

² Includes General and Capital Stabilization funds.

The total fund balance of the general fund decreased by \$(134) during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (697)
Revenues greater than budget	506
Expenditures less than budget	245
Other	<u>(188)</u>
Total	\$ <u><u>(134)</u></u>

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

	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>
General stabilization	\$ 1,059	\$ 1,159	\$ (100)
Capital stabilization	<u>585</u>	<u>595</u>	<u>(10)</u>
Total	\$ <u><u>1,644</u></u>	\$ <u><u>1,754</u></u>	\$ <u><u>(110)</u></u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$11,872, an increase of \$3,805 in comparison to the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$1,017. Major reasons for these amendments include (in thousands):

- \$ 391 Appropriated to fund a transfer to the Capital Investment Fund, funded by free cash.
- \$ 430 Appropriated for Capital Outlay expenditures, funded by transfer from Capital Investment Fund.
- \$ 102 Appropriated to fund the FY15 snow and ice supplies line, funded by a transfer from the Stabilization Fund.
- \$ 94 Various other appropriations.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities (sewer fund only) at year-end amounted to \$48,304 (net of accumulated depreciation), an increase of \$2,110 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:

- Energy Service Company (ESCO) capital lease
- Final costs for Town Hall improvements
- The purchase of various vehicles and equipment for the Public Works Department.

Credit rating. The Town maintained a Standard and Poor's credit rating of AA-.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$8,606 (exclusive of the Electric Enterprise Fund), 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 Notes to Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of West Boylston'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:

Office of Town Administrator
Town of West Boylston
140 Worcester Street
West Boylston, MA 01583

TOWN OF WEST BOYLSTON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2015
(DECEMBER 31, 2014 FOR THE ELECTRIC ENTERPRISE FUND)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 8,790,831	\$ 8,604,711	\$ 17,395,542
Receivables, net of allowance for uncollectibles:			
Property taxes	208,087	-	208,087
Excises	79,038	-	79,038
User fees	490,826	1,496,480	1,987,306
Intergovernmental	915,567	-	915,567
Betterment	-	269,314	269,314
Other Assets	10,246	1,376,941	1,387,187
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	68,205	-	68,205
Intergovernmental	358,871	-	358,871
Betterment	-	3,393,681	3,393,681
Restricted cash	-	4,275,317	4,275,317
Capital assets being depreciated, net of accumulated depreciation	16,809,315	36,075,864	52,885,179
Capital assets not being depreciated	1,639,999	-	1,639,999
TOTAL ASSETS	29,370,985	55,492,308	84,863,293
DEFERRED OUTFLOWS OF RESOURCES	8,039	-	8,039
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	29,379,024	55,492,308	84,871,332
LIABILITIES			
Current:			
Warrants payable	389,928	646,344	1,036,272
Accrued liabilities	491,812	150,453	642,265
Notes payable	1,900,000	-	1,900,000
Current portion of long-term liabilities:			
Bonds payable	995,301	564,158	1,559,459
Other liabilities	129,050	-	129,050
Noncurrent:			
Bonds payable, net of current portion	1,269,214	8,323,487	9,592,701
Customer deposits	-	138,721	138,721
Net OPEB obligation	9,221,155	82,070	9,303,225
Net pension liability	13,366,720	-	13,366,720
Other liabilities, net of current portion	2,958,927	-	2,958,927
TOTAL LIABILITIES	30,722,107	9,905,233	40,627,340
DEFERRED INFLOWS OF RESOURCES	-	5,684,632	5,684,632
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	30,722,107	15,589,865	46,311,972
NET POSITION			
Net investment in capital assets	11,333,712	27,188,219	38,521,931
Restricted for:			
Grants and other statutory restrictions	3,447,158	841,794	4,288,952
Permanent perpetual funds			
Nonexpendable	489,262	-	489,262
Expendable	748,887	-	748,887
Unrestricted	(17,362,102)	11,872,430	(5,489,672)
TOTAL NET POSITION	\$ (1,343,083)	\$ 39,902,443	\$ 38,559,360

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

TOWN OF WEST BOYLSTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(FOR THE YEAR ENDED DECEMBER 31, 2014 FOR THE ELECTRIC ENTERPRISE FUND)

	<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	\$ 1,350,646	\$ 249,474	\$ 770,933	\$ -	\$ (330,239)	\$ -	\$ (330,239)
Public safety	2,473,620	666,914	102,649	-	(1,704,057)	-	(1,704,057)
Education	13,594,864	378,171	5,664,277	-	(7,552,416)	-	(7,552,416)
Public works	2,418,257	170,058	-	104,744	(2,143,455)	-	(2,143,455)
Health and human services	294,936	-	21,746	-	(273,190)	-	(273,190)
Culture and recreation	617,843	99,877	25,322	-	(492,644)	-	(492,644)
Employee benefits	5,732,051	-	-	-	(5,732,051)	-	(5,732,051)
Interest	102,561	-	-	-	(102,561)	-	(102,561)
Intergovernmental	611,551	-	-	-	(611,551)	-	(611,551)
Total Governmental Activities	27,196,329	1,564,494	6,584,927	104,744	(18,942,164)	-	(18,942,164)
Business-Type Activities:							
Sewer services	2,190,007	1,313,212	-	243,704	-	(633,091)	(633,091)
Electric services	6,921,492	8,053,013	-	-	-	1,131,521	1,131,521
Total Business-Type Activities	9,111,499	9,366,225	-	243,704	-	498,430	498,430
Total Activities	<u>\$ 36,307,828</u>	<u>\$ 10,930,719</u>	<u>\$ 6,584,927</u>	<u>\$ 348,448</u>	<u>(18,942,164)</u>	<u>498,430</u>	<u>(18,443,734)</u>
General Revenues and Permanent fund contributions:							
Property taxes					15,335,378	-	15,335,378
Excises					1,005,725	-	1,005,725
Penalties, interest and other taxes					896,743	-	896,743
Grants and contributions not restricted to specific programs					122,281	-	122,281
Miscellaneous					506,640	-	506,640
Investment income					10,341	61,273	71,614
Permanent fund contributions					12,000	-	12,000
Total general revenues and permanent fund contributions					17,889,108	61,273	17,950,381
Change in Net Position					(1,053,056)	559,703	(493,353)
Net Position:							
Beginning of Year, as restated					(290,027)	39,342,740	39,052,713
End of year					<u>\$ (1,343,083)</u>	<u>\$ 39,902,443</u>	<u>\$ 38,559,360</u>

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

TOWN OF WEST BOYLSTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Town Hall Acquisition/ Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 4,300,072	\$ 736	\$ 4,490,023	\$ 8,790,831
Receivables:				
Property taxes	332,352	-	3,275	335,627
Excises	96,782	-	-	96,782
User fees	-	-	490,826	490,826
Intergovernmental	29,411	-	268,504	297,915
Other assets	<u>10,246</u>	<u>-</u>	<u>-</u>	<u>10,246</u>
TOTAL ASSETS	<u>\$ 4,768,863</u>	<u>\$ 736</u>	<u>\$ 5,252,628</u>	<u>\$ 10,022,227</u>
LIABILITIES				
Liabilities:				
Warrants payable	\$ 338,600	\$ -	\$ 51,328	\$ 389,928
Accrued liabilities	430,826	-	25,814	456,640
Notes Payable	-	1,900,000	-	1,900,000
Other liabilities	<u>472</u>	<u>-</u>	<u>-</u>	<u>472</u>
TOTAL LIABILITIES	769,898	1,900,000	77,142	2,747,040
DEFERRED INFLOWS OF RESOURCES	429,134	-	494,101	923,235
FUND BALANCES				
Nonspendable	-	-	489,262	489,262
Restricted	-	-	4,230,436	4,230,436
Committed	1,192,883	-	-	1,192,883
Assigned	472,255	-	-	472,255
Unassigned	<u>1,904,693</u>	<u>(1,899,264)</u>	<u>(38,313)</u>	<u>(32,884)</u>
TOTAL FUND BALANCES	<u>3,569,831</u>	<u>(1,899,264)</u>	<u>4,681,385</u>	<u>6,351,952</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,768,863</u>	<u>\$ 736</u>	<u>\$ 5,252,628</u>	<u>\$ 10,022,227</u>

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

TOWN OF WEST BOYLSTON, 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	\$ 6,351,952
<ul style="list-style-type: none">Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,449,314
<ul style="list-style-type: none">Revenues are reported on the accrual basis of accounting and are not deferred until collection.	854,195
<ul style="list-style-type: none">MSBA reimbursements for contracted assistance and progress payment projects, are not receivable in the current period and, therefore, are not reported in the governmental funds.	976,523
<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.	(34,700)
<ul style="list-style-type: none">Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(2,264,515)
Net OPEB obligation	(9,221,155)
Net pension liability	(13,366,720)
Other (compensated absences, capital leases, etc)	<u>(3,087,977)</u>
Net position of governmental activities	\$ <u><u>(1,343,083)</u></u>

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

TOWN OF WEST BOYLSTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Town Hall Acquisition/ Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 15,161,290	\$ -	\$ 54,129	\$ 15,215,419
Excise taxes	999,137	-	-	999,137
Penalties, interest and other taxes	713,904	-	182,839	896,743
Charges for services	210,728	-	1,033,824	1,244,552
Intergovernmental	4,450,668	-	1,669,444	6,120,112
Licenses and permits	293,881	-	-	293,881
Contributions	-	-	165,524	165,524
Fines and forfeitures	26,061	-	-	26,061
Investment income	7,495	-	2,846	10,341
Miscellaneous	470,609	-	36,031	506,640
Total Revenues	22,333,773	-	3,144,637	25,478,410
Expenditures:				
Current:				
General government	1,249,616	-	204,718	1,454,334
Public safety	2,377,566	-	87,176	2,464,742
Education	10,938,202	-	1,664,122	12,602,324
Public works	1,804,270	-	166,320	1,970,590
Health and human services	213,099	-	81,837	294,936
Culture and recreation	367,191	-	170,859	538,050
Employee benefits	4,081,504	-	-	4,081,504
Debt service	1,114,189	-	-	1,114,189
Intergovernmental	611,551	-	-	611,551
Capital outlay	2,951,087	225,474	-	3,176,561
Total Expenditures	25,708,275	225,474	2,375,032	28,308,781
Excess (deficiency) of revenues over expenditures	(3,374,502)	(225,474)	769,605	(2,830,371)
Other Financing Sources (Uses):				
Proceeds from capital lease	2,951,087	-	-	2,951,087
Transfers in	398,500	100,000	8,872	507,372
Transfers out	(108,872)	-	(398,500)	(507,372)
Total Other Financing Sources (Uses)	3,240,715	100,000	(389,628)	2,951,087
Changes in fund balance	(133,787)	(125,474)	379,977	120,716
Fund Balance, at Beginning of Year	3,703,618	(1,773,790)	4,301,408	6,231,236
Fund Balance, at End of Year	\$ 3,569,831	\$ (1,899,264)	\$ 4,681,385	\$ 6,351,952

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

TOWN OF WEST BOYLSTON, 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	\$ 120,716														
<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> <tr> <td>Capital outlay purchases, net of disposals</td><td style="text-align: right;">3,835,110</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(1,001,253)</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. <div style="text-align: right;">134,584</div> Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance and progress payments, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <div style="text-align: right;">(617,652)</div> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Repayments of debt</td><td style="text-align: right;">1,015,301</td></tr> <tr> <td>Increase in capital lease</td><td style="text-align: right;">(2,951,087)</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. <div style="text-align: right;">(3,673)</div> Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td>Increase in other post-employment benefits obligation</td><td style="text-align: right;">(1,342,380)</td></tr> <tr> <td>Decrease in compensated absence liability</td><td style="text-align: right;">73,484</td></tr> <tr> <td>Increase in net pension liability</td><td style="text-align: right;"><u>(316,206)</u></td></tr> </table> 	Capital outlay purchases, net of disposals	3,835,110	Depreciation	(1,001,253)	Repayments of debt	1,015,301	Increase in capital lease	(2,951,087)	Increase in other post-employment benefits obligation	(1,342,380)	Decrease in compensated absence liability	73,484	Increase in net pension liability	<u>(316,206)</u>	
Capital outlay purchases, net of disposals	3,835,110														
Depreciation	(1,001,253)														
Repayments of debt	1,015,301														
Increase in capital lease	(2,951,087)														
Increase in other post-employment benefits obligation	(1,342,380)														
Decrease in compensated absence liability	73,484														
Increase in net pension liability	<u>(316,206)</u>														
Change in net position of governmental activities	\$ <u>(1,053,056)</u>														

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

TOWN OF WEST BOYLSTON, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues:				
Taxes	\$ 15,091,674	\$ 15,080,219	\$ 15,161,290	\$ 81,071
Motor vehicle excise	970,000	970,000	999,137	29,137
Penalties, interest and other taxes	689,000	689,000	713,904	24,904
Intergovernmental	4,375,005	4,375,005	4,450,668	75,663
Licenses and permits	150,000	150,000	293,881	143,881
Charges for services	195,000	195,000	191,003	(3,997)
Fines and forfeits	38,000	38,000	25,936	(12,064)
Investment income	5,000	5,000	4,600	(400)
Miscellaneous	303,000	303,000	470,609	167,609
Total Revenues	21,816,679	21,805,224	22,311,028	505,804
Expenditures:				
General government	1,079,649	1,238,302	1,137,447	100,855
Public safety	2,391,887	2,394,887	2,370,748	24,139
Education	10,774,500	10,775,633	10,753,954	21,679
Public works	1,369,403	2,080,171	2,018,890	61,281
Health and human services	233,133	235,633	213,099	22,534
Culture and recreation	366,203	405,203	398,603	6,600
Employee benefits	4,319,197	4,102,697	4,078,234	24,463
Debt service	1,288,123	1,215,543	1,214,189	1,354
Intergovernmental	594,084	594,084	611,551	(17,467)
Total Expenditures	22,416,179	23,042,153	22,796,715	245,438
Excess of expenditures over revenues	(599,500)	(1,236,929)	(485,687)	751,242
Other Financing Sources (Uses):				
Use of fund balance (free cash)	220,000	697,089	-	(697,089)
Transfers in	379,500	930,643	930,643	-
Transfers out	-	(390,803)	(428,240)	(37,437)
Excess of expenditures and other financing sources over revenues	\$ -	\$ -	\$ 16,716	\$ 16,716

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

TOWN OF WEST BOYLSTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015
 (DECEMBER 31, 2014 FOR THE ELECTRIC ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds		
	Electric Fund	Sewer Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 4,572,861	\$ 4,031,850	\$ 8,604,711
User fees, net of allowance for uncollectibles	158,997	403,387	562,384
Betterment receivables	-	269,314	269,314
Materials and supplies	258,131	-	258,131
Unbilled revenue	687,303	-	687,303
Prepaid expenses	167,951	-	167,951
Purchased power working capital	950,859	-	950,859
Accounts receivable - other	242,492	-	242,492
Interest receivable	4,301	-	4,301
Total current assets	7,042,895	4,704,551	11,747,446
Noncurrent:			
Betterment receivables	-	3,393,681	3,393,681
Customer deposits	138,721	-	138,721
Depreciation fund	841,794	-	841,794
Insurance reserve fund	5	-	5
Investments	2,798	-	2,798
Rate stabilization fund	3,291,999	-	3,291,999
Capital assets, net of accumulated depreciation	6,221,380	29,854,484	36,075,864
Total noncurrent assets	10,496,697	33,248,165	43,744,862
TOTAL ASSETS	17,539,592	37,952,716	55,492,308
LIABILITIES			
Current:			
Warrants and accounts payable	637,393	8,951	646,344
Accrued liabilities	46,833	103,620	150,453
Current portion of long-term liabilities:			
Bonds payable	274,235	289,923	564,158
Total current liabilities	958,461	402,494	1,360,955
Noncurrent:			
Bonds payable, net of current portion	2,372,204	5,951,283	8,323,487
Customer deposits	138,721	-	138,721
Net OPEB obligation	82,070	-	82,070
Total noncurrent liabilities	2,592,995	5,951,283	8,544,278
Deferred Inflows of Resources			
Purchased Power Adjustment	1,851,863	-	1,851,863
Reserve for Rate Stabilization	3,832,769	-	3,832,769
Total deferred inflows of resources	5,684,632	-	5,684,632
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	9,236,088	6,353,777	15,589,865
NET POSITION			
Net investment in capital assets	3,574,941	23,613,278	27,188,219
Net position restricted for depreciation	841,794	-	841,794
Unrestricted	3,886,769	7,985,661	11,872,430
TOTAL NET POSITION	\$ 8,303,504	\$ 31,598,939	\$ 39,902,443

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

TOWN OF WEST BOYLSTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

(FOR THE YEAR ENDED DECEMBER 31, 2014 FOR THE ELECTRIC ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds		
	Electric Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 8,053,013	\$ 1,313,212	\$ 9,366,225
Total Operating Revenues	8,053,013	1,313,212	9,366,225
Operating Expenses:			
Personnel	-	93,711	93,711
Non-personnel	-	1,055,972	1,055,972
Electric Operations	6,883,201	-	6,883,201
Depreciation	604,874	723,820	1,328,694
Total Operating Expenses	7,488,075	1,873,503	9,361,578
Operating Income (Loss)	564,938	(560,291)	4,647
Nonoperating Income (Expenses):			
Investment income	48,646	12,627	61,273
Interest expense	(63,255)	(316,504)	(379,759)
Amortization of bond premium	1,898	-	1,898
Relief of Insurance Reserve Obligation	627,940	-	627,940
Total Nonoperating Revenues (Expenses)	615,229	(303,877)	311,352
Income (Loss) Before Contributions	1,180,167	(864,168)	315,999
Capital contributions	-	243,704	243,704
Change in Net Position	1,180,167	(620,464)	559,703
Net Position at Beginning of Year	7,123,337	32,219,403	39,342,740
Net Position at End of Year	\$ 8,303,504	\$ 31,598,939	\$ 39,902,443

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

TOWN OF WEST BOYLSTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

(FOR THE YEAR ENDED DECEMBER 31, 2014 FOR THE ELECTRIC ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds		
	Electric Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 8,140,784	\$ 1,636,813	\$ 9,777,597
Other operating cash receipts - Solar Renewable Energy Credits	121,279	-	121,279
Payments to vendors	(6,219,007)	(1,068,004)	(7,287,011)
Payments of employees' wages and related benefits	(1,124,966)	(93,390)	(1,218,356)
Net Cash Provided By Operating Activities	918,090	475,419	1,393,509
<u>Cash Flows From Noncapital Financing Activities:</u>			
Interest expense	(8,579)	-	(8,579)
Net Cash Used For Noncapital Financing Activities	(8,579)	-	(8,579)
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(417,236)	-	(417,236)
Principal payments on bonds and notes	(135,000)	(279,118)	(414,118)
Intergovernmental revenue	-	243,704	243,704
Interest expense	(45,601)	(321,457)	(367,058)
Net Cash (Used For) Capital and Related Financing Activities	(597,837)	(356,871)	(954,708)
<u>Cash Flows From Investing Activities:</u>			
Investment income	33,079	12,627	45,706
Net transfer to operations	560,416	-	560,416
Proceeds from sales and maturities of investments	200,000	-	200,000
Net Cash Provided By Investing Activities	793,495	12,627	806,122
Net Change in Cash and Short-Term Investments	1,105,169	131,175	1,236,344
Cash and Short-Term Investments, Beginning of Year	1,606,412	3,900,675	5,507,087
Cash and Short-Term Investments, End of Year	\$ 2,711,581	\$ 4,031,850	\$ 6,743,431
<u>Reconciliation of Operating Loss to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ 564,938	\$ (560,291)	\$ 4,647
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	604,874	723,820	1,328,694
Abandonment of Preliminary Surveys	82,845	-	82,845
Changes in assets and liabilities:			
Betterment receivables	-	333,996	333,996
Accounts receivable	(109,623)	(10,395)	(120,018)
Unbilled revenue	9,579	-	9,579
Materials and supplies	6,142	-	6,142
Prepaid expenses	(73,768)	-	(73,768)
Warrants payable	-	(12,033)	(12,033)
Accounts payable	56,695	-	56,695
Accrued liabilities	(99,722)	322	(99,400)
Deferred costs	(162,978)	-	(162,978)
OPEB	40,054	-	40,054
Customer deposits	(946)	-	(946)
Net Cash Provided By Operating Activities	\$ 918,090	\$ 475,419	\$ 1,393,509

The following amounts are considered to be cash or cash equivalents for the Electric fund statements of cash flows:

Cash and short-term investments	\$ 2,572,860
Customer deposits cash	138,721
	<u>\$ 2,711,581</u>

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

TOWN OF WEST BOYLSTON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

(FOR THE YEAR ENDED DECEMBER 31, 2014 FOR THE ELECTRIC OPEB TRUST FUND)

	Private Purpose <u>Trust Funds</u>	Agency <u>Funds</u>	Electric OPEB <u>Trust Fund</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 3,340	\$ 172,716	\$ 626,844
Other assets	<u>-</u>	<u>31,504</u>	<u>-</u>
Total Assets	3,340	204,220	626,844
<u>LIABILITIES AND NET POSITION</u>			
Other liabilities	<u>-</u>	<u>204,220</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>204,220</u>	<u>-</u>
<u>NET POSITION</u>			
Total net position	<u>\$ 3,340</u>	<u>\$ -</u>	<u>\$ 626,844</u>

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

TOWN OF WEST BOYLSTON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

(FOR THE YEAR ENDED DECEMBER 31, 2014 FOR THE ELECTRIC OPEB TRUST FUND)

	Private Purpose <u>Trust Funds</u>	Electric OPEB <u>Trust Fund</u>
Additions:		
Contributions	\$ 254	\$ 629,302
Investment income (loss)	<u>5</u>	<u>(2,458)</u>
Total additions	259	626,844
Deductions:		
Other	<u>950</u>	<u>-</u>
Total deductions	<u>950</u>	<u>-</u>
Net Increase/(decrease)	(691)	626,844
Net position:		
Beginning of year	<u>4,031</u>	<u>-</u>
End of year	<u>\$ 3,340</u>	<u>\$ 626,844</u>

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

TOWN OF WEST BOYLSTON, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2015, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

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

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 *Town Hall acquisition/renovation capital project fund* accounts for revenue and costs associated with acquiring, renovating, and furnishing a new Town Hall.

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:

- Electric Enterprise Fund
- Sewer Enterprise Fund

The *private-purpose trust fund* is used to account for trust arrangements, under which principal and investment income exclusively benefit individuals.

The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agency on behalf of others.

The *Electric OPEB liability trust fund* is used to account for funds to offset the anticipated cost of premium payments for or direct payments to be made to retired employees of the Town, and to any eligible surviving spouse of or dependents of deceased employees of the Town.

D. Cash and Short-Term Investments

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

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

E. Investments

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

guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

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

F. Property Tax Limitations

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2015 tax levy reflected an excess capacity of \$5,085.

G. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

H. Compensated Absences

It is the Town’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, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities or 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 and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Stabilization fund).
- 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 and liabilities/deferred inflows. Net investment in capital assets, consist of

capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

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.

L. Inclusion of West Boylston Municipal Light Plant

The Town's June 30, 2015 basic financial statements include the audited statements of the West Boylston Municipal Light Plant (Electric Enterprise Fund) for year ended December 31, 2014.

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. 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 financials 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 to budgetary data.

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

<u>General Fund</u>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 22,333,773	\$ 25,708,275
Other financing sources/uses (GAAP Basis)	<u>3,349,587</u>	<u>108,872</u>
Subtotal (GAAP Basis)	25,683,360	25,817,147
Adjust tax revenue to accrual basis	(121,125)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(855,271)
Add end of year appropriation carryforwards to expenditures	-	794,797
To reverse other non-budgeted items	<u>(2,320,564)</u>	<u>(2,531,718)</u>
Budgetary Basis	<u>\$ 23,241,671</u>	<u>\$ 23,224,955</u>

D. Deficit Fund Equity

The deficits in these funds will be eliminated through future intergovernmental revenues and bond proceeds.

Major governmental fund:	
Town Hall Acquisition / Renovation	\$ <u>(1,899,264)</u>
Total Major governmental fund	\$ <u><u>(1,899,264)</u></u>
Nonmajor governmental funds:	
Highway Improvement	\$ <u>(38,313)</u>
Total Nonmajor governmental funds	\$ <u><u>(38,313)</u></u>

3. Cash and Short-Term Investments

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

As of June 30, 2015, \$221,182 of the Town's bank balance of \$13,259,823 was exposed to custodial credit risk as uninsured or uncollateralized. However, this balance was held with the Massachusetts Municipal Depository Trust (MMDT).

4. Taxes Receivable

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

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

Taxes receivable at June 30, 2015 consist of the following (in thousands):

Real Estate		
2015	\$ 199	
2014	37	
2013	7	
2012	7	
2011 & Prior	<u>11</u>	
		261
Personal Property		
2015	3	
2014	<u>1</u>	
		4
Tax Liens		68
CPA		<u>3</u>
Total		<u>\$ 336</u>

5. **Allowance for Doubtful Accounts**

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

	<u>Governmental</u>
Property taxes	\$ 59
Excises	\$ 18

6. **User Fees Receivable**

User fees receivables include amounts due from customers for sewer and ambulance usage.

7. **Intergovernmental Receivable**

This balance represents Massachusetts School Building Authority grants as well as other various fiscal year 2015 grant funds. Future receipt of MSBA payments are as follows (in thousands):

2016	\$ 618
2017	<u>359</u>
Total	<u>\$ 977</u>

8. Betterment Receivable

Betterments represent special assessments billed to property owners for sewer infrastructure construction.

9. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 18,919	\$ 3,825	\$ -	\$ 22,744
Machinery, equipment, and furnishings	8,107	403	-	8,510
Infrastructure	<u>22,849</u>	<u>14</u>	<u>-</u>	<u>22,863</u>
Total capital assets, being depreciated	49,875	4,242	-	54,117
Less accumulated depreciation for:				
Buildings and improvements	(9,193)	(551)	-	(9,744)
Machinery, equipment, and furnishings	(6,395)	(380)	-	(6,775)
Infrastructure	<u>(20,717)</u>	<u>(70)</u>	<u>-</u>	<u>(20,787)</u>
Total accumulated depreciation	<u>(36,305)</u>	<u>(1,001)</u>	<u>-</u>	<u>(37,306)</u>
Total capital assets, being depreciated, net	13,570	3,241	-	16,811
Capital assets, not being depreciated:				
Land	1,605	10	-	1,615
Construction in progress	<u>441</u>	<u>24</u>	<u>(441)</u>	<u>24</u>
Total capital assets, not being depreciated	<u>2,046</u>	<u>34</u>	<u>(441)</u>	<u>1,639</u>
Governmental activities capital assets, net	<u>\$ 15,616</u>	<u>\$ 3,275</u>	<u>\$ (441)</u>	<u>\$ 18,450</u>
Business-Type Activities:				
(Sewer Fund only)				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,634	\$ -	\$ -	\$ 7,634
Machinery, equipment, and furnishings	923	-	-	923
Infrastructure	<u>30,456</u>	<u>-</u>	<u>-</u>	<u>30,456</u>
Total capital assets, being depreciated	39,013	-	-	39,013
Less accumulated depreciation for:				
Buildings and improvements	(3,049)	(254)	-	(3,303)
Machinery, equipment, and furnishings	(647)	(64)	-	(711)
Infrastructure	<u>(4,739)</u>	<u>(406)</u>	<u>-</u>	<u>(5,145)</u>
Total accumulated depreciation	<u>(8,435)</u>	<u>(724)</u>	<u>-</u>	<u>(9,159)</u>
Total capital assets, being depreciated, net	<u>30,578</u>	<u>(724)</u>	<u>-</u>	<u>29,854</u>
Business-type activities (sewer)	<u>\$ 30,578</u>	<u>\$ (724)</u>	<u>\$ -</u>	<u>\$ 29,854</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 154
Public safety	154
Education	361
Public works	184
Culture and recreation	<u>148</u>
Total depreciation expense - governmental activities	\$ <u>1,001</u>
Business-Type Activities:	
Sewer	\$ <u>724</u>
Total depreciation expense - business-type activities	\$ <u>724</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:

	<u>Entity-wide Basis</u>
	<u>Governmental</u>
	<u>Activities</u>
Net difference between projected and actual pension investment earnings	\$ 8,039

11. **Warrants Payable**

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

12. **Notes Payable**

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

	<u>Interest</u>	<u>Date</u>	<u>Date of</u>	<u>Balance at</u>
	<u>Rate</u>	<u>of Issue</u>	<u>Maturities</u>	<u>6/30/15</u>
Bond Anticipation Note	1.00%	11/21/14	11/20/15	\$ <u>1,900,000</u>
Total				\$ <u>1,900,000</u>

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

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Three Rivers Building	\$ 2,000,000	\$ -	\$ (2,000,000)	\$ -
Three Rivers Building	-	1,900,000	-	1,900,000
Total	<u>\$ 2,000,000</u>	<u>\$ 1,900,000</u>	<u>\$ (2,000,000)</u>	<u>\$ 1,900,000</u>

13. Long-Term Debt

A. General Obligation Bonds

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

	Serial Maturities Through	Interest Rate(s)% *	Amount Outstanding as of 6/30/15
<u>Governmental Activities:</u>			
Edwards School	09/01/15	Various	\$ 230,000
Library	01/26/30	4.75%	679,515
General Obligation	12/15/16	3.625 - 4.00%	270,000
General Obligation - School	06/30/17	.035% - 2.00%	605,000
General Obligation Refunding Bonds	06/30/18	.035% - 2.00%	480,000
Total Governmental Activities:			<u>\$ 2,264,515</u>

* = Certain debt reflects variable interest rates ranging from 4.65% to 6.75%.

	Serial Maturities Through	Interest Rate(s)% *	Amount Outstanding as of 6/30/15
<u>Business-Type Activities:</u>			
Sewer Project	02/01/21	Various	\$ 3,310,000
Sewer Project	08/01/24	Various	166,448
Sewer Project	02/01/31	Various	2,085,000
Sewer Project	08/01/32	Various	307,279
Sewer Project	08/01/33	Various	372,479
Total Business-Type Activities (excludes Electric Fund):			<u>\$ 6,241,206</u>

* = Certain debt reflects variable interest rates ranging from 4.65% to 6.75%.

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 995,301	\$ 62,552	\$ 1,057,853
2017	525,301	39,415	564,716
2018	200,301	29,523	229,824
2019	45,301	25,822	71,123
2020	45,301	23,670	68,971
2021-2025	226,505	90,472	316,977
2026-2030	226,505	32,277	258,782
Total	<u>\$ 2,264,515</u>	<u>\$ 303,731</u>	<u>\$ 2,568,246</u>

<u>Sewer Fund</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 289,923	\$ 297,574	\$ 587,497
2017	300,593	282,793	583,386
2018	306,262	269,179	575,441
2019	316,262	257,153	573,415
2020	321,932	236,835	558,767
2021-2025	1,641,672	936,049	2,577,721
2026-2030	1,710,460	518,173	2,228,633
2031-2035	1,354,102	93,512	1,447,614
Total	<u>\$ 6,241,206</u>	<u>\$ 2,891,268</u>	<u>\$ 9,132,474</u>

C. Changes in General Long-Term Liabilities

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

	<u>Total Balance 7/1/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/15</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/15</u>
<u>Governmental Activities:</u>						
Bonds payable	\$ 3,280	\$ -	\$ (1,015)	\$ 2,265	\$ (995)	\$ 1,270
Net OPEB obligation	7,879	2,541	(1,199)	9,221	-	9,221
Net pension liability	13,051	316	-	13,367	-	13,367
Other:						
Capital lease	-	2,951	-	2,951	(122)	2,829
Accrued employee benefits	210	1	(74)	137	(7)	130
Total	<u>\$ 24,420</u>	<u>\$ 5,809</u>	<u>\$ (2,288)</u>	<u>\$ 27,941</u>	<u>\$ (1,124)</u>	<u>\$ 26,817</u>

	Total Balance 7/1/14	Additions	Reductions	Total Balance 6/30/15	Less Current Portion	Equals Long-Term Portion 6/30/15
<u>Business-Type Activities</u> (Sewer Fund only):						
Bonds payable	\$ 6,520	\$ -	\$ (279)	\$ 6,241	\$ (290)	\$ 5,951
	<u>\$ 6,520</u>	<u>\$ -</u>	<u>\$ (279)</u>	<u>\$ 6,241</u>	<u>\$ (290)</u>	<u>\$ 5,951</u>

14. **Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position. Permanent fund restricted net position represents the original restricted principal contribution, which is nonexpendable.

15. **Governmental Funds - Balances**

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

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

The following types of fund balances are reported at June 30, 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 general fund reserves for prepaid expenditures and 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 general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes

general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting and various special revenue funds.

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

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

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

	General Fund	Town Hall Acquisition/ Renovation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 489,262	\$ 489,262
Total Nonspendable	-	-	489,262	489,262
Restricted				
Bonded projects	-	-	34,391	34,391
School Lunch	-	-	36,637	36,637
School Grants and Revolving funds:				
School Choice	-	-	884,740	884,740
Circuit Breaker	-	-	117,076	117,076
Town Revolving:				
Ambulance	-	-	641,894	641,894
Board of Health	-	-	90,170	90,170
Septic Repair Program	-	-	111,682	111,682
Community Preservation	-	-	835,351	835,351
Other Special Revenue Funds	-	-	620,042	620,042
Expendable permanent funds	-	-	858,453	858,453
Total Restricted	-	-	4,230,436	4,230,436
Committed				
Articles	607,401	-	-	607,401
Capital	585,482	-	-	585,482
Total Committed	1,192,883	-	-	1,192,883
Assigned				
Encumbrances	187,396	-	-	187,396
Assigned for debt service	12,145	-	-	12,145
Assigned for next year's expenditures	272,714	-	-	272,714
Total Assigned	472,255	-	-	472,255
Unassigned	⁽¹⁾ 1,904,693	(1,899,264)	(38,313)	(32,884)
Total Unassigned	1,904,693	(1,899,264)	(38,313)	(32,884)
Total Fund Balance	\$ 3,569,831	\$ (1,899,264)	\$ 4,681,385	\$ 6,351,952

⁽¹⁾ Includes General Stabilization fund balance of \$1,058,864.

16. Interfund Fund Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund transfers must be utilized.

The government 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 and proprietary fund financial statements. The follow is an analysis of interfund transfers made in fiscal year 2015:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 398,500	\$ 108,872
Nonmajor Funds:		
Special Revenue Funds:		
Ambulance receipts	-	362,000
Sale of lots	-	19,000
Town Revolving	8,872	-
Capital Project Funds:		
Town Hall renovations	100,000	-
Trust Funds:		
Expendable	-	17,500
Subtotal Nonmajor Funds	<u>108,872</u>	<u>398,500</u>
Grand Total	<u>\$ 507,372</u>	<u>\$ 507,372</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

17. Subsequent Events

Debt

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

	<u>Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General Obligation BAN	\$ 1,765,250	11/20/15	11/18/16

18. **Commitments and Contingencies**

Outstanding Legal Issues - Presently, there are no significant cases pending against the Town.

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.

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

Other Post-Employment Benefits

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

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2014, the actuarial valuation date, approximately 156 retirees and 179 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

Town retirees contribute at 40% of the cost of the health plan, respectively, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$ 2,226,162
Interest on net OPEB obligation	315,151
Adjustment to ARC	<u>(248,262)</u>
Annual OPEB cost	2,293,051
Contributions made	<u>(950,671)</u>
Increase in net OPEB obligation	1,342,380
Net OPEB obligation - beginning of year	<u>7,878,775</u>
Net OPEB obligation - end of year	<u><u>\$ 9,221,155</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 2,293,051	41.5%	\$ 9,221,155
2014	\$ 2,191,354	36.9%	\$ 7,878,775
2013	\$ 2,231,205	38.4%	\$ 6,496,897
2012	\$ 2,111,574	37.3%	\$ 5,123,325
2011	\$ 1,870,128	52.0%	\$ 3,799,247
2010	\$ 1,788,473	51.6%	\$ 2,901,938
2009	\$ 1,990,138	48.5%	\$ 2,036,698
2008	\$ 1,893,148	46.6%	\$ 1,011,789

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 29,102,591
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 29,102,591</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 10,384,279</u>
UAAL as a percentage of covered payroll	<u>280.26%</u>

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

F. Actuarial Methods and Assumptions

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

In the June 30, 2014 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 6.5% which decreases to a 4.5% long-term rate for all healthcare benefits after seven years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

20. Retirement System

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

A. Plan Description

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

B. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll on January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

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

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

C. Contributions

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

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

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

The Town's contribution to the System for the year ended June 30, 2015 was \$887,697, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At June 30, 2015, the Town reported a liability of \$13,366,720 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability

used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the Town's proportion was 2.25%.

For the year ended June 30, 2015, the Town recognized pension expense of \$1,195,864. In addition, the Town reported deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 8,039

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

Year ended June 30:

2016	\$ 2,010
2017	2,010
2018	2,010
2019	<u>2,009</u>
Total	<u>\$ 8,039</u>

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

COLA	3% of the first \$14,000
Salary increases	3% per year, including longevity
Investment rate of return	8%

Mortality rates were based on the RP-2000 mortality table (sex-district, healthy employees for actives and healthy annuitants for retirees) projected with a scale AA and Generational Mortality. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as this disability. Disabled mortality is the healthy retiree table ages set forward 2 years.

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

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	43.00%	8.23%
Fixed income	23.00%	5.05%
Private equity	10.00%	9.75%
Real Estate	10.00%	6.50%
Timber/Natural Resources	4.00%	6.88%
Hedge Funds	10.00%	7.00%
Total	<u>100.00%</u>	

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

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

<u>Fiscal Year Ended</u>	<u>1% Decrease (7.0%)</u>	<u>Current Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
June 30, 2015	\$ 16,274,546	\$ 13,366,720	\$ 10,897,522

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

21. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

D. Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
 - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
 - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 and 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Global equity	43.0%	7.2%	7.70%
Core fixed income	13.0%	2.5%	2.00%
Hedge funds	10.0%	5.5%	4.75%
Private equity	10.0%	8.8%	9.00%
Real estate	10.0%	6.3%	6.00%
Value added fixed income	10.0%	6.3%	6.30%
Timber/natural resources	4.0%	5.0%	5.00%
Total	<u>100.0%</u>		

E. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease to 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase to 9%</u>
June 30, 2013	\$ 21,426,000	\$ 17,234,000	\$ 13,672,000
June 30, 2014	\$ 20,247,000	\$ 15,896,000	\$ 12,200,000

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Town Proportions

In fiscal year 2014 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense was \$16,638,669 and \$1,155,968 respectively, based on a proportionate share of 0.10%. As required by GASB 68, the Town has recognized its portion of the collective pension expense.

22. 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.

23. Beginning Net Position Restatement

The beginning (July 1, 2014) net position of the Town has been restated as follows:

	<u>Governmental Activities</u>
As previously reported	\$ 12,760,488
Implementation of GASB 68	<u>(13,050,515)</u>
As restated	<u><u>\$ (290,027)</u></u>

TOWN OF WEST BOYLSTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS

**WEST BOYLSTON MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of West Boylston Municipal Lighting Plant are as follows:

Reporting Entity

The West Boylston Municipal Lighting Plant is a component unit of the Town of West Boylston, Massachusetts. The Board of Commissioners appoints the manager of the Lighting Plant who shall be responsible for operation and management of the Lighting Plant. The Lighting Plant purchases power from various sources and sells it to the ultimate consumers at rates on file with the Massachusetts Department of Public Utilities (DPU).

Basis of Consolidations

The consolidated financial statements include the accounts of the West Boylston Municipal Lighting Plant and of its subsidiary, Massachusetts Municipal Light Department Solar Energy Cooperative Corporation (the "Cooperative"). Intercompany transactions have been eliminated.

Regulation and Basis of Accounting

The Lighting Plant's financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Under Massachusetts' law, electric rates of the Lighting Plant are set by the Municipal Lighting Board and may be changed not more than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities. While the DPU exercises general supervisory authority over the Lighting Plant, the Lighting Plant's rates are not subject to DPU approval.

Depreciation

The general laws of Massachusetts allow utility plant in service to be depreciated at an annual rate of 3%. In order to change this rate, approval must be obtained from the Department of Public Utilities. Changes in annual depreciation rates may be made for financial factors relating to cash flow rather than for engineering factors relating to estimates of useful lives. The Lighting Plant used a depreciation rate of 5% for both 2014 and 2013.

The Lighting Plant charges maintenance and repairs to operations when incurred. Replacements and betterments are charged to utility plant.

Revenues

Revenues from sales of electricity are recorded on the basis of bills rendered from monthly readings taken on a cycle basis. The revenues are based on rates established by the Lighting Plant, which are applied to customers' consumption of electricity. The Lighting Plant's rates contain an adjustable component pursuant to which increased power costs (power costs in excess of amounts recovered through base rates) are billable to customers. The Lighting Plant has a fuel cost adjustment clause pursuant to which increased fuel costs (fuel costs in excess of amounts recovered through base rates) are billable to customers.

Operating revenue includes revenues and expenses related to the continuing operations of the Department. Principal operating revenues are charges to customers for sales of electricity or services. Operating expenses are the costs of providing electricity and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Reclassification

Certain prior year amounts have been reclassified to conform to the 2014 presentation.

Net Position

The Lighting Plant's net position is categorized as net investment in capital assets, restricted for depreciation and unrestricted.

Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Lighting Plant considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Town of West Boylston maintains and controls major cash and investment pools in which the primary government and component units share.

Materials and Supplies

Materials and supplies are valued using the average cost method.

Taxes

The Lighting Plant is exempt from federal income taxes, as well as property taxes.

Sales Tax

The Lighting Plant collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time,

this account represents the net amount owed to the taxing authority for amounts collected, but not yet remitted.

Compensated Absences

In accordance with the Lighting Plant policies, employees are allowed to accumulate sick days, up to a maximum of 60 days. Upon termination and after 10 years of service of employment with the Lighting Plant, the employee will be paid a maximum of 30 days of accumulated sick time. Non-bargaining employees are eligible to carry over 5 days of vacation time from one year to the next. Other employees are not permitted to carry over vacation time from one year to the next. Upon termination of employment with the Lighting Plant, the employee will be paid for unused vacation time based on the employee's base rate of pay at the time of termination.

NOTE 2 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

GASB Statement 68, *Accounting and Financial Reporting for Pensions*, is required to be implemented for periods beginning after June 15, 2014. The Lighting Plant is currently evaluating the effect this pronouncement will have on the basic financial statements.

NOTE 3 - CASH AND INVESTMENTS

The Plant owns shares of Hydro Quebec Phase II stock. The securities are stated at cost. Fair market value approximates stated value.

A cash and investment pool is maintained and available for use of the depreciation fund and insurance reserve funds.

The Plant is invested in obligations of the government bonds, certificates of deposit, money market accounts, and bank deposits. Since these investments are held to maturity, they are recorded at cost or amortized cost.

Concentration of Credit Risk

The Lighting Plant's deposits with the Town Treasurer are invested with various financial institutions. It is not practical to disclose the related bank balance and credit risk of such cash deposits for the Lighting Plant. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The amount of insurance coverage for the Plant deposits are not determinable because the limits of insurance are completed on a town-wide basis.

Custodial Credit Risk - Deposits and Investments

In the event of a failure by the counterparty, the Plant would not be able to recover the value of its investments.

Interest Rate Risk

The Plant invests in term securities out to a maximum of five years to help limit the amount of exposure to fair value losses.

As of December 31, 2014 and 2013, the Lighting Plant had the following investments and maturities:

	<u>Ratings as of Year-end</u>	<u>2014 Fair Value</u>	<u>2014 Under 1 Year</u>	<u>2014 1-5 Years</u>	<u>2013 Fair Value</u>
Term Securities					
Certificates of Deposit	Exempt	\$ 2,600,000	\$ 850,000	\$ 1,750,000	\$ 2,900,000
Other Securities					
Money Market Funds		<u>476,984</u>			<u>1,320,724</u>
Total Investments		<u>\$ 3,076,984</u>			<u>\$ 4,220,724</u>

Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Sterling Savings Certificates of Deposit	\$ 200,000	6%
Comenity Bank Certificates of Deposit	200,000	6%
Mercantil Certificates of Deposit	200,000	6%
GE CAP Bank Certificates of Deposit	200,000	6%
Ally Bank Certificates of Deposit	200,000	6%
AMEX Centurion Certificates of Deposit	200,000	6%
Capstone Bank Certificates of Deposit	200,000	6%
First Oklahoma Bank Certificates of Deposit	200,000	6%

NOTE 4 - UNBILLED REVENUE

Revenues from sale of electricity are recorded on the basis of bills rendered from monthly readings taken on a cycle basis throughout the month. In order to reflect revenues in the proper period, the estimated amount of revenue applicable to unbilled usage has been recorded.

NOTE 5 - ACCOUNTS RECEIVABLE - CUSTOMERS

The Lighting Plant carries its accounts receivable at cost, less an allowance. The Lighting Plant can place a lien against a property if payment is not made. For non-owners, the company requires a deposit that can be applied to any unpaid amounts. In addition, the Lighting Plant has the right to shut off service to customers during the months of April through October if the customer is not making payments. On a

periodic basis, the Lighting Plant does evaluate to determine if any write-offs are necessary.

NOTE 6 - ACCOUNTS RECEIVABLE - OTHER

Accounts Receivable - Customers consists of the following:

	<u>2014</u>	<u>2013</u>
Accounts Receivable	\$ 170,525	\$ 121,006
Less: Allowance for Doubtful Accounts	<u>(11,528)</u>	<u>(11,528)</u>
Accounts Receivable, Net	<u>\$ 158,997</u>	<u>\$ 109,478</u>

Accounts Receivable - Other consists of the following:

	<u>2014</u>	<u>2013</u>
Merchandise and Jobbing	\$ 60,239	\$ 25,097
Solar Renewable Energy Credits Receivable	61,912	52,507
Berkshire Wind Renewable Energy Credits Receivable	78,925	81,351
Liens Receivable	29,061	23,433
National Grid Receivable	<u>12,355</u>	<u>-</u>
Total Other Accounts Receivable	<u>\$ 242,492</u>	<u>\$ 182,388</u>

NOTE 7 - DEPRECIATION FUND

Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of plant, nuclear decommissioning costs, the costs of contractual commitments, and future costs related to such commitments, which the Municipal Lighting Board determines, are above market value.

NOTE 8 - RATE STABILIZATION FUND

The rate stabilization fund was created as an aftermath of the Massachusetts Electricity Restructuring Act of 1997. These funds are for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices, and transmission cost increases. The Rate Stabilization Fund Balance at December 31, 2014 and 2013 was \$3,291,999 and \$3,268,800, respectively. The balance in the fund is offset by a deferred inflow of resources for the accumulated provision for rate refund. These funds are commingled

and deposited in investment pools. Accordingly, it is not practical to disclose the credit risk of such funds.

NOTE 9 - PURCHASED POWER WORKING CAPITAL

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), the Lighting Plant's power supply agent. The implementation of the Working Capital Program began August 1, 1985. MMWEC participants approved certain working capital amendments to the various power purchase agreements. MMWEC requires that they hold a set amount of capital from which it may pay power obligations when they are due. They replenish the fund as needed from the monthly invoice payments. The income earned allocated to the Lighting Plant is applied as a credit to MMWEC Power Sales Billing. The balance in the fund as of December 31, 2014 and 2013 is \$950,859 and \$945,556, respectively.

NOTE 10 - MMWEC PARTICIPATION

The Town of West Boylston, acting through its Lighting Plant, is a participant in certain projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities.

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

West Boylston Municipal Lighting Plant has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Lighting Plant is required to make certain payments to MMWEC payable solely from Lighting Plant revenues.

Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

NOTE 11 - NET INVESTMENT IN CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
Cost of Capital Assets Acquired	\$ 13,551,887	\$ 13,173,163
Less: Accumulated Depreciation	(7,330,507)	(6,764,145)
Less: Outstanding Debt Related to Capital Assets	<u>(2,646,439)</u>	<u>(2,783,337)</u>
Net Investment in Capital Assets	<u>\$ 3,574,941</u>	<u>\$ 3,625,681</u>

NOTE 12 - RISK MANAGEMENT

Self-Insurance Trust

West Boylston Lighting Plant participates in Massachusetts Municipal Self-Insurance Trust (the Trust) with 17 other municipal light departments for the purpose of sharing general liability and officers' liability risks. General liability coverage provides for \$500,000 per occurrence, with a \$50,000 deductible that would be paid by the Plant. Environmental insurance coverage provides for \$1,500,000 per occurrence, with a \$100,000 deductible that would be paid by the Plant. Each participating municipality contributes to the Trust based on its share of the group's total kilowatt-hour sales. Payments for claims over the deductible limit are funded by trust assets or, if required, additional contributions from the participants.

Generally accepted accounting principles require that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2014 and 2013, the Lighting Plant considers its *pro rata* share of these losses to be immaterial to its financial statements.

NOTE 13 - BOND PAYABLE

On March 21, 2013, the Town issued \$4,300,000 of general obligation bonds, of which \$2,000,000 was allocated to the Lighting Plant. The proceeds for the advances were to be used to pay for capital additions related to a new Temple Street Substation Project. The bond has a 15-year life. The interest rates range from 1.00% to 2.25% over the term of the bond.

At December 31, 2014 and 2013, the amount outstanding was \$1,730,000 and \$1,865,000, respectively. Interest expense relating to this bond was \$36,575 and

\$9,313 at December 31, 2014 and 2013, respectively. During 2014 and 2013, \$0 and \$28,516 of interest expense was capitalized, respectively.

Maturities of the bonds are shown as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For Years Ending December 31,	2015	\$ 135,000	\$ 34,550	\$ 169,550
	2016	135,000	31,850	166,850
	2017	135,000	29,150	164,150
	2018	135,000	26,450	161,450
	2019	135,000	23,750	158,750
	2020 - 2024	665,000	78,287	743,287
	2025 - 2027	<u>390,000</u>	<u>13,163</u>	<u>403,163</u>
	Total	1,730,000	\$ <u>237,200</u>	\$ <u>1,967,200</u>
Plus: Unamortized Net Premiums		23,747		
Less Current Maturities of Long-Term Debt		<u>(136,898)</u>		
		\$ <u>1,616,849</u>		

NOTE 14 - ADVANCES TO MMLD SOLAR ENERGY COOPERATIVE CORPORATION

West Boylston Municipal Lighting Plant has advanced amounts to the Cooperative in order to pay for development costs associated with the West Boylston Facilities, as well as some construction costs that were in excess of the bond proceeds. There are no specific repayment terms. As of December 31, 2014 and 2013, the total advance to the Cooperative was \$815,564.

NOTE 15 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Lighting Plant sells electricity to various Town departments. During the years ended December 31, 2014 and 2013, sales to these departments totaled \$373,363 and \$323,492, respectively. At December 31, 2014 and 2013, the amounts due from these departments were \$3,733 and \$1,196, respectively.

During the years ended December 31, 2014 and 2013, the Lighting Plant reimbursed the Town \$403,193 and \$345,855, respectively. At December 31, 2014 and 2013, amounts payable to the Town were \$3,136 and \$924, respectively.

NOTE 16 - UTILITY PLANT ASSETS

	Balance January 1, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2014</u>
Capital Assets Not Being Depreciated:				
Land	\$ 666,428	\$ -	\$ -	\$ 666,428
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets Not Being Depreciated	666,428	-	-	666,428
Capital Assets Being Depreciated:				
Distribution Plant	8,199,387	373,245	(38,512)	8,534,120
General Plant	2,437,709	43,991	-	2,481,700
Generation Plant	<u>1,869,639</u>	<u>-</u>	<u>-</u>	<u>1,869,639</u>
Total	<u>12,506,735</u>	<u>417,236</u>	<u>(38,512)</u>	<u>12,885,459</u>
Less Accumulated Depreciation For:				
Distribution Plant	(4,980,221)	(408,203)	38,512	(5,349,912)
General Plant	(1,548,260)	(121,887)	-	(1,670,147)
Generation Plant	<u>(235,664)</u>	<u>(74,784)</u>	<u>-</u>	<u>(310,448)</u>
Total Accumulated Depreciation	<u>(6,764,145)</u>	<u>(604,874)</u>	<u>38,512</u>	<u>(7,330,507)</u>
Capital Assets Being Depreciated, Net	<u>5,742,590</u>	<u>(187,638)</u>	<u>-</u>	<u>5,554,952</u>
Utility Plant Assets, Net	<u>\$ 6,409,018</u>	<u>\$ (187,638)</u>	<u>\$ -</u>	<u>\$ 6,221,380</u>

NOTE 17 - PENSION PLAN

The Lighting Plant, through the Town of West Boylston, is a member of the Worcester Regional Retirement System, which in turn is a member of the Massachusetts Contributory Retirement System, which is governed by M.G.L. c. 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. The plan is a defined contributory benefit plan for all county employees and employees of participating towns and districts except those employees who are covered by the teachers' retirement board.

Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

A \$30,000 salary cap, upon which members' benefits were calculated, was removed by the Worcester Regional Retirement System, effective January 1, 1991. Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon

reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

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

Active members contribute 5, 7, 8 or 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. These contributions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employees' Retirement Administration's (PERA's) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted since 1981 and any increases in other benefits imposed by state law after that year are borne by the state.

Members who become permanently and totally disabled from further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases are dependent upon several factors, including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification.

Employees who resign from state 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 contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those contributions.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

The Lighting Plant's contribution to the Retirement Plan is determined by an allocation of the total Town contribution, which is based upon projected benefits to be paid during the applicable year. The Lighting Plant then reimburses the Town for its share of the assessment.

The amount of pension expense charged to operations for the years ended December 31, 2014, 2013, and 2012 was \$158,098, \$129,118, and \$103,781, respectively.

The Plan's separately issued financial statements can be obtained by contacting Worcester Regional Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS TRUST FUND:

The Other Postemployment Benefits Liability Trust Fund was established by vote of the Board of Light Commissioners. The Board voted to accept the provisions of MFL Chapter 32B, Section 20 which establishes a separate Fund and a funding schedule for the Fund.

The schedule and any future updates shall be designed, consistent with standards issued by the Government Accounting Standards Boards, to reduce the unfunded actuarial liability of health care and other postemployment benefits to zero as of an actuarially acceptable period of years and to meet the normal cost of all future benefits for which the government unit is obligated. The Fund is held under the custodianship of the Treasurer of the Massachusetts Municipal Wholesale Electric Company (MMWEC). The balance in the trust as of December 31, 2014 and 2013 was \$626,844 and \$0, respectively.

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

December 31, 2008 was the initial year that West Boylston Municipal Lighting Plant (WBMLP) implemented GASB Statement 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. As allowed by GASB 45, the Department has established the net OPEB obligation at zero at the beginning of the transition year and has applied the measurement recognition requirements of GASB 45 on a prospective basis.

Plan Description. The Plant participates in the town-sponsored single employer defined benefit health plan. The Plant provides certain health care and life insurance benefits for eligible retirees, spouses, and dependents. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

As of June 30, 2012, WBMLP's membership consisted of the following:

Current retirees, beneficiaries and dependents	15
Current active members	<u>9</u>
Total	<u><u>24</u></u>

Funding Policy. WBMLP recognizes the cost of providing these benefits, in accordance with government accounting standards, on a pay-as-you-go basis, by expensing the annual insurance premiums charged WBMLP by the Town, which aggregated approximately \$196,034 and \$189,917 for the years ended December 31, 2014 and 2013. The cost of providing these benefits for retirees is not readily separable from the costs for active employees. Retired plan members and beneficiaries contribution rates vary by individual based on the health plan they are enrolled in.

Annual OPEB Costs. The Plant's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount

actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Plant's annual OPEB cost for the year ending December 31, 2014, the amount actually contributed to the plan, and changes in the Plant's net OPEB obligation based on an actuarial valuation as of June 30, 2012 were as follows:

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 122,980	\$ 124,483
Interest on net OPEB obligation	26,853	25,109
Amortization of net OPEB obligation	<u>(23,987)</u>	<u>(22,016)</u>
Annual OPEB cost	125,846	127,576
Expected benefit payments	(85,792)	(83,993)
Adjustments to annual required contribution	<u>-</u>	<u>(6,292)</u>
Increase in net OPEB obligation	40,054	37,291
Net OPEB obligation beginning of year	671,318	634,027
Transfer to OPEB Trust Fund	<u>(629,302)</u>	<u>-</u>
Net OPEB obligation end of year	<u>\$ 82,070</u>	<u>\$ 671,318</u>

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

<u>Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 120,999	62.4%	\$ 634,027
2013	\$ 121,284	69.3%	\$ 671,318
2014	\$ 125,846	568.2%	\$ 82,070

Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include 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 revisions as actual results are compared with past expectations and new estimates are made about the future.

Legislature was passed allowing Municipal Light Departments to create a trust, in order to fund their OPEB obligation. West Boylston Municipal Lighting Plant created a trust for the year ending December 31, 2014. The Board authorized a transfer of \$629,302 to the OPEB trust fund.

The funded status is as follows:

Annual accrued liability (AAL)	\$ 2,088,118
Actuarial value of plan assets	<u>(629,302)</u>
Unfunded actuarial accrued liability	<u>\$ 1,458,816</u>
Funded Ratio (actuarial value of plan assets/AAL)	30.14%
Covered Payroll (active plan members)	\$ 731,617
UAAL as a percentage of covered payroll	199.4%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the plant 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 employer and the plan members to that point.

As of the June 30, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 4.5%. The Plant's unfunded actuarial accrued liability is being amortized assuming 30-year level dollar basis.

NOTE 20 - MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT SOLAR ENERGY COOPERATIVE CORPORATION (COOPERATIVE)

The significant accounting policies of the Massachusetts Municipal Light Department Solar Energy Cooperative Corporation (Cooperative) are as follows:

Reporting Entity

The Cooperative is organized under Chapter 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and the West Boylston Municipal Lighting Plant (WBMLP) for the purpose of financing, owning, constructing, and operating solar generation facilities located in the Town of West Boylston, Massachusetts (West Boylston Facilities).

The powers of the Cooperative are exercised by the Board of Directors who has the right to conduct business and carry on operations. The Board of Directors is comprised of one director who represents MMWEC and two or more Directors who represent the WBMLP.

Nature of Operations

The Cooperative is a self-sustaining 369.6 kilowatt solar photovoltaic energy project, comprised of 1,760 solar panels installed at the intersection of Paul X. Tivnan Road and Shrewsbury Street in West Boylston, Massachusetts. The Cooperative provides both operational and financial value to the WBMLP by delivering clean, renewable electricity to its customers.

Regulation and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Fair Value of Financial Instruments

The Cooperative's financial instruments consist of cash and cash equivalents, accounts payable and accrued expenses and debt instruments. The estimated fair values of these financial instruments approximate their carrying values at December 31, 2014 and 2013. The estimated fair values have been determined through information obtained from market sources and management estimates.

Depreciation

Property and equipment is stated at cost. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives using straight line method. Depreciation expense for 2014 and 2013 was \$74,784 and \$74,786, respectively.

Reclassification

Certain prior year amounts have been reclassified to conform to the 2014 presentation.

Advances from West Boylston Municipal Lighting Plant

WBMLP has advanced amounts to the Cooperative in order to pay for development costs associated with the West Boylston Facilities that are in excess of the bond proceeds. The advances are classified as long-term as repayment is not anticipated within the current year. There are no specific repayment terms. As of December 31, 2014 and 2013 the total advances to the Cooperative were \$815,564.

Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prepaid Insurance

Prepaid insurance represents insurance premiums paid in the current fiscal year benefiting future periods.

Amounts Recoverable/Payable in the Future

The difference between revenues received and expenses paid are charged to the amounts recoverable/payable in the future account which is reflected as either a deferred inflow or outflow of resources in the accompanying statement of net position. Such amounts will be recovered or settled through future billings.

Revenues and Expenses

The Cooperative distinguishes 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 the utility's principal ongoing operations. The principal operating revenues of the Cooperative will be the contract charges to the WBMLP and the Solar Renewal Energy Credits issued for the electricity generated from the solar electric system. Operating expenses for the Cooperative currently include insurance, services, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Taxes

The Cooperative is exempt from federal income taxes.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Cooperative considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Custodial Credit Risk

In the event of a bank failure, the Cooperative's deposits may not be returned. The Cooperative's funds on deposit with financial institutions are subject to the insurance coverage limits by the Federal Deposit Insurance Corporation (FDIC) and the Deposit Insurance Fund of Massachusetts (DIF).

Related Parties:

On behalf of the Cooperative, MMWEC records and accounts for bills received and paid. MMWEC is accounting for monthly contract charges rendered and payments received from the WBMLP. The Cooperative entered into an agency contract with MMWEC on October 22, 2008, under which MMWEC is serving as the Cooperative's agent in all matters with respect to financing the construction, purchase, ownership, lease or other acquisition by the Cooperative of the West Boylston Facilities or energy generated from other facilities and other property or interest therein.

The Cooperative entered into a service contract with MMWEC on June 29, 2010, under which MMWEC is serving as the Cooperative's agent to provide financing, administrative, and other services relating to the West Boylston Facilities.

Under both the agency and service contract, MMWEC is to serve as the Cooperative's representative in the New England Power Pool (NEPOOL) and in matters relating to ISO New England, Inc. (ISO-NE) in connection with the West Boylston Facilities, the purchase and sale of energy there or from other facilities and other property or interests therein.

During the year ended December 31, 2014 and 2013, the Cooperative incurred charges of \$7,189 and \$9,732, respectively, for services provided by or paid by MMWEC on behalf of the Cooperative.

As of December 31, 2014 and 2013, the Cooperative had an outstanding balance due to MMWEC of \$4,292 and \$3,489.

WBMLP made advances to the Cooperative to fund project costs. As of December 31, 2014 and 2013, the Cooperative has an outstanding balance due to WBMLP of \$815,564.

As disclosed in Note 4, the Cooperative entered into a lease agreement with the WBMLP and is required to make annual rental payments under the agreement.

Debt:

In June 2010, the Cooperative obtained a Clean Renewable Energy Bond (CREB) in the amount of \$1,167,367 to provide term financing for the installation and operation of the West Boylston Facilities. The CREB has a payment term of up to sixteen years but not greater than the maximum term for a clean renewable energy bond as determined by the U.S. Treasury Department. Principal payments are due in equal installments of \$68,669 commencing on December 30, 2010 and then on the December 30 of each year thereafter. All principal and accrued interest thereon shall be due and payable on demand on June 29, 2026. Interest on the CREB is fixed at 2% and is payable in semiannual installments on June 30 and December 30 of each year. Interest expense for 2014 and 2013 was \$19,506 and \$20,944, respectively. The CREB is collateralized by the equipment and the purchase power agreement (PPA) with the West Boylston Municipal Lighting Plant. As of December 31, 2014 the outstanding CREB balance was \$892,692.

The following is a summary of total debt service requirements for the CREB outstanding:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For years ended December 31,	2015	\$ 137,337	\$ 26,785	\$ 164,122
	2016	68,669	15,359	84,028
	2017	68,669	13,924	82,593
	2018	68,669	12,532	81,201
	2019	68,669	11,140	79,809
	2020 - 2024	343,343	34,849	378,192
	2025 - 2026	<u>137,336</u>	<u>3,476</u>	<u>140,812</u>
	Total	<u>\$ 892,692</u>	<u>\$ 118,065</u>	<u>\$ 1,010,757</u>

Commitments and Contingencies:

Lease Agreement

The Cooperative entered into a 20-year lease agreement on June 29, 2010 with the WBMLP. Under the lease agreement, the Cooperative may finance, purchase, acquire, own, hold, install and maintain, or cause to be installed and maintained, a ground-mounted photovoltaic installation for the production of solar energy on the

West Boylston Facilities. This lease agreement requires monthly lease payments of \$1 each month for the term of the lease.

NOTE 21 - PRELIMINARY SURVEY ABANDONMENT

Purchased power costs include an impairment loss of \$82,845 due to the determination that construction operation of MMWEC Project 2006A is not feasible.

NOTE 22 - CONTINGENCIES AND LIABILITIES

Legal and Environmental Matters

The Lighting Plant is subject, like other electric utilities, to evolving standards administered by federal, state and local authorities relating to the quality of the environment. These standards affect the citing of electric property, ambient air and water quality, plant safety and other environmental factors. These standards have had an impact on the Lighting Plant's operations in the past, and they will continue to have an impact on future operations, capital costs and construction.

Berkshire Wind Cooperative Corporation Contingencies and Liabilities

The West Boylston Municipal Lighting Plant (Plant) is a Member of the Berkshire Wind Cooperative Corporation (Cooperative).

The Cooperative is organized under Chapters 157 and 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and 14 Municipal Light Departments (Members) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

The Cooperative has constructed and installed 10 1.5-megawatt wind turbines at the Berkshire Wind Facility. The Cooperative provides wind energy to MMWEC pursuant to the Berkshire Wind Power Purchase Agreement dated May 21, 2008 between MMWEC and the Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility to be owned, constructed and operated by the Cooperative at the Berkshire Wind Facility.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Cooperative Member to pay its *pro rata* share of the costs related to the Berkshire Wind Facility, which costs include debt service on the bonds issued by the Cooperative to finance the Berkshire Wind Facility, plus 10% of the debt service to be paid into a Reserve and Contingency

Fund. In addition, should a Cooperative Member fail to make any payment when due, other Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount.

The Cooperative has issued revenue bonds, which are payable solely from, and secured solely by, the revenues derived from the Berkshire Wind Facility. The revenues are used solely to provide for the payment of any bond issue relating to the Berkshire Wind Facility and to pay the Cooperative's cost of owning and operating the Berkshire Wind Facility.

The West Boylston Municipal Lighting Plant has entered into a PPA with the Berkshire Wind Cooperative Corporation. Under the PPA, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperative Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility. In addition, under the PPA, the Plant is required to pay to the Cooperative its share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility.

As of December 31, 2014, total capital expenditures for the Berkshire Wind Facility amounted to \$58,990,077, of which \$3,171,000, represents the amount associated with the Plant's share of the Capability of the Berkshire Wind Facility of which it is a Member, although such amount is not allocated to the Plant. The Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$57,860,000, of which \$3,110,000 is associated with the Plant's share of Capability of the Berkshire Wind Facility of which it is a Member, although such amount is not allocated to the Plant. As of December 31, 2014, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$86,387,000, of which \$4,643,000 is anticipated to be billed to the Plant in the future.

The estimated aggregate amount of the West Boylston Municipal Light Plant's required payments under the PSA exclusive of the Reserve and Contingency Fund billings, to the Cooperative at December 31, 2014 and estimated for future years is shown below.

		<u>ANNUAL COSTS</u>	
For years ended December 31,	2015	\$	290,000
	2016		290,000
	2017		290,000
	2018		290,000
	2019		290,000
	2020-2024		1,452,000
	2025-2029		1,451,000
	2030		290,000
	Total	\$	<u>4,643,000</u>

MMWEC Contingencies and Liabilities

Through membership in MMWEC, the Lighting Plant is contingently liable on various projects, which it participates as detailed below.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs, the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

As of December 31, 2014, total capital expenditures for MMWEC's Projects amounted to \$1,616,889,000 of which \$23,982,000 represents the amount associated with the Lighting Plant's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Lighting Plant. MMWEC's debt outstanding for the Projects includes Power Supply Project Revenue Bonds totaling \$167,110,000, of which \$2,292,000 is associated with the Lighting Plant's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Lighting Plant. As of December 31, 2014, MMWEC's total future debt

service requirement on outstanding bonds issued for the Projects is \$152,675,000, of which \$2,067,000 is anticipated to be billed to the Lighting Plant in the future.

The estimated aggregate amount of West Boylston Municipal Lighting Plant's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2014 and estimated for future years is shown below:

		<u>ANNUAL COSTS</u>	
For years ended December 31,	2015	\$	902,000
	2016		749,000
	2017		326,000
	2018		61,000
	2019		<u>28,000</u>
	Total	\$	<u><u>2,066,000</u></u>

In addition, under the PSAs, the Lighting Plant is required to pay its share of the Operation and Maintenance (O&M) costs of the Projects in which they participate. The Lighting Plant's total O&M costs including debt service under the PSAs were \$2,542,000 and \$2,549,000 for the years ended December 31, 2014 and 2013, respectively.

Other Power Supply

The Lighting Plant has entered into a Service Agreement with MMWEC, under which MMWEC performs bulk power supply services to the Lighting Plant, including services related to owned generation, purchased power contracts or other power supply arrangements.

Under the terms of the Service Agreement, the Lighting Plant is committed to purchase additional power through MMWEC in the amount of \$1,102,013 in 2015, \$212,126 in 2016, \$201,634 in 2017, and \$48,231 in 2018.

TOWN OF WEST BOYLSTON, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
06/30/14	\$ -	\$ 29,102,591	\$ 29,102,591	0.0%	\$ 10,384,279	280.26%
06/30/12	\$ -	\$ 27,026,511	\$ 27,026,511	0.0%	\$ 11,210,658	241.08%
12/31/09	\$ -	\$ 25,754,328	\$ 25,754,328	0.0%	N/A	0.0%
12/31/07	\$ -	\$ 26,711,232	\$ 26,711,232	0.0%	N/A	0.0%

See Independent Auditors' Report.

TOWN OF WEST BOYLSTON, MASSACHUSETTS

**SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

REQUIRED SUPPLEMENTARY INFORMATION

**JUNE 30, 2015
(Unaudited)**

<u>Worcester Regional Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	2.25%
Proportionate share of the net pension liability for the most recent measurement date	\$ 13,366,720
Covered-employee payroll for the most recent measurement date	\$ 5,097,874
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	262.20%
Plan fiduciary net position as a percentage of the total pension liability	47.9%
<u>Massachusetts Teachers' Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	0.10%
The Town's proportionate share of the net pension liability for the most recent measurement date	\$ -
Commonwealth of Massachusetts' total proportionate share of the net pension liability that is associated with the Town	<u>16,638,669</u>
Total net pension liability associated with the Town	<u>\$ 16,638,669</u>
Covered-employee payroll for the most recent measurement date	\$ 6,417,832
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%
Plan fiduciary net position as a percentage of the total pension liability	61.64%

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

See Independent Auditors' Report.

TOWN OF WEST BOYLSTON, MASSACHUSETTS

**SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015
(Unaudited)**

<u>Worcester Regional Retirement Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 887,697
Contributions in relation to the contractually required contribution	<u>887,697</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current fiscal year	\$ 3,473,170
Contributions as a percentage of covered-employee payroll	25.6%

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

See Independent Auditors' Report.

Additional Offices:

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report

To the Board of Selectmen
Town of West Boylston, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund (except for the Electric Enterprise Fund), and the aggregate remaining fund information of the Town of West Boylston, 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, and have issued our report thereon dated January 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

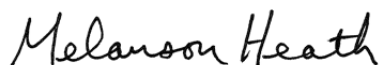
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



January 19, 2016