

TOWN OF SHARON, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2016

Town of Sharon, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Sharon, Massachusetts

Additional Offices:

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sharon, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Sharon, Massachusetts' 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opin-

ion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sharon, Massachusetts, as of June 30, 2016, 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 OPEB Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Pension 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 July 5, 2017 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

July 5, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Sharon, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference 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 Town'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, and culture and recreation. The business-type activities include water activities.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements,

governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$63,775,603 (i.e., net position), a change of \$(266,188) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$34,362,837, a change of \$(5,351,829) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,105,409, a change of \$(2,600,587) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$70,056,969, a change of \$(5,951,697) 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.

NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 46,181	\$ 52,039	\$ 5,282	\$ 5,601	\$ 51,463	\$ 57,640
Capital assets	148,415	143,091	11,160	10,054	159,575	153,145
Deferred outflows	<u>5,039</u>	<u>1,360</u>	<u>43</u>	<u>12</u>	<u>5,082</u>	<u>1,372</u>
Total assets and deferred outflows	199,635	196,490	16,485	15,667	216,120	212,157
Long-term liabilities outstanding	128,894	128,459	3,123	3,244	132,017	131,703
Other liabilities	15,680	16,054	317	359	15,997	16,413
Deferred inflows	<u>4,293</u>	<u>-</u>	<u>37</u>	<u>-</u>	<u>4,330</u>	<u>-</u>
Total liabilities and deferred inflows	148,867	144,513	3,477	3,603	152,344	148,116
Net position:						
Net investment in capital assets	97,715	94,027	8,580	7,254	106,295	101,281
Restricted	10,269	10,000	-	-	10,269	10,000
Unrestricted	<u>(57,216)</u>	<u>(52,050)</u>	<u>4,428</u>	<u>4,810</u>	<u>(52,788)</u>	<u>(47,240)</u>
Total net position	<u>\$ 50,768</u>	<u>\$ 51,977</u>	<u>\$ 13,008</u>	<u>\$ 12,064</u>	<u>\$ 63,776</u>	<u>\$ 64,041</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,978	\$ 8,055	\$ 3,552	\$ 4,417	\$ 11,530	\$ 12,472
Operating grants and contributions	17,382	15,146	-	-	17,382	15,146
Capital grants and contributions	2,045	2,509	-	-	2,045	2,509
General revenues:						
Property taxes	63,079	58,731	-	-	63,079	58,731
Excises	3,079	2,909	-	-	3,079	2,909
Penalties and interest on taxes	550	505	-	-	550	505
Grants and contributions not restricted to specific programs	1,508	1,464	-	-	1,508	1,464
Investment income	384	238	-	-	384	238
Other	619	1,446	-	-	619	1,446
Total revenues	<u>96,624</u>	<u>91,003</u>	<u>3,552</u>	<u>4,417</u>	<u>100,176</u>	<u>95,420</u>
Expenses:						
General government	2,247	2,156	-	-	2,247	2,156
Public safety	9,048	6,564	-	-	9,048	6,564
Education	59,529	56,331	-	-	59,529	56,331
Public works	5,652	5,107	-	-	5,652	5,107
Human services	949	855	-	-	949	855
Culture and recreation	1,742	1,547	-	-	1,742	1,547
Employee benefits	15,238	13,606	-	-	15,238	13,606
Interest on long-term debt	2,512	2,285	-	-	2,512	2,285
Intergovernmental	786	776	-	-	786	776
Miscellaneous	30	8	-	-	30	8
Water operations	-	-	2,608	2,704	2,608	2,704
Total expenses	<u>97,733</u>	<u>89,235</u>	<u>2,608</u>	<u>2,704</u>	<u>100,341</u>	<u>91,939</u>
Change in net assets before transfers	(1,109)	1,768	944	1,713	(165)	3,481
Transfers in (out)	<u>(100)</u>	<u>(49)</u>	<u>-</u>	<u>-</u>	<u>(100)</u>	<u>(49)</u>
Change in net position	(1,209)	1,719	944	1,713	(265)	3,432
Net position - beginning of year	<u>51,977</u>	<u>50,258</u>	<u>12,064</u>	<u>10,351</u>	<u>64,041</u>	<u>60,609</u>
Net position - end of year	<u>\$ 50,768</u>	<u>\$ 51,977</u>	<u>\$ 13,008</u>	<u>\$ 12,064</u>	<u>\$ 63,776</u>	<u>\$ 64,041</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$63,775,603, a change of \$(266,188) from the prior year.

The largest portion of net position \$106,294,653 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$10,268,600 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit balance of \$(52,787,650) caused primarily by unfunded post-employment benefits and unfunded pension liability (see Notes 19 and 20).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(1,209,676). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,704,329
Nonmajor fund - accrual basis	159,951
Internal service fund operating results	(727,737)
Principal debt service in excess of depreciation expense	3,382,456
Change in other post employment benefits liability	(6,096,127)
Change in net pension liability	696,692
Other GAAP accruals	<u>(329,240)</u>
Total	<u>\$ (1,209,676)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$943,488 which is due to operating costs exceeding user fee revenue.

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 \$34,362,837, a change of \$(5,351,829) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 1,704,329
Major public safety building fund operating results	(7,216,110)
Nonmajor fund operating results	<u>159,952</u>
Total	<u>\$ (5,351,829)</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 \$6,105,409, while total fund balance was \$7,273,883. 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>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance*	\$ 6,105,409	\$ 3,504,822	\$ 2,600,587	7.8%
Total fund balance	\$ 7,273,883	\$ 5,569,554	\$ 1,704,329	9.3%

* These figures include the general stabilization fund

The total fund balance of the general fund changed by \$1,704,329 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 1,759,421
Expenditures less than budget	621,244
Use of free cash and overlay surplus as a funding source	(625,000)
Shortfall of tax collection	161,621
Expenditures current year encumbrances in excess of prior year	(246,512)
Change in stabilization	126,248
Other	<u>(92,693)</u>
Total	<u>\$ 1,704,329</u>

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

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
General stabilization	\$ 604,371	\$ 478,123	\$ 126,248

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 \$4,427,916, a change of \$382,450 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

There were no major differences between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$159,574,337 (net of accumulated depreciation), a change of \$6,429,831 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

- \$7,216,110 – Public safety building
- \$1,510,300 – Water system improvements

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$70,056,969, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Sharon'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 Finance Director
Town of Sharon, Massachusetts
90 Main Street
Sharon, Massachusetts 02067

TOWN OF SHARON, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 33,408,588	\$ 4,140,386	\$ 37,548,974
Investments	10,297,164	-	10,297,164
Receivables, net of allowance for uncollectibles:			
Property taxes	1,220,100	-	1,220,100
Excises	139,849	-	139,849
User fees	-	1,141,927	1,141,927
Intergovernmental and other	571,795	-	571,795
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	527,425	-	527,425
Betterments	16,682	-	16,682
Capital assets:			
Land and construction in progress	68,030,931	1,929,982	69,960,913
Other capital assets, net of accumulated depreciation	80,383,519	9,229,905	89,613,424
DEFERRED OUTFLOWS OF RESOURCES	<u>5,038,607</u>	<u>43,196</u>	<u>5,081,803</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	199,634,660	16,485,396	216,120,056
LIABILITIES			
Current:			
Accounts payable	3,322,201	105,310	3,427,511
Accrued liabilities	3,729,237	-	3,729,237
Other current liabilities	1,752,927	-	1,752,927
Current portion of long-term liabilities:			
Bonds payable	6,671,697	210,000	6,881,697
Compensated absence	116,581	2,624	119,205
Landfill closure	25,000	-	25,000
Capital lease	61,840	-	61,840
Noncurrent:			
Bonds payable, net of current portion	60,805,272	2,370,000	63,175,272
Compensated absence, net of current portion	2,215,043	49,859	2,264,902
Landfill closure, net of current portion	375,000	-	375,000
Capital lease, net of current portion	324,773	-	324,773
Accrued other post employment benefits	32,938,220	426,641	33,364,861
Net pension liability	32,236,081	276,355	32,512,436
DEFERRED INFLOWS OF RESOURCES	<u>4,292,988</u>	<u>36,804</u>	<u>4,329,792</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	148,866,860	3,477,593	152,344,453
NET POSITION			
Net investment in capital assets	97,714,766	8,579,887	106,294,653
Restricted for:			
Grants and other statutory restrictions	9,857,693	-	9,857,693
Permanent funds:			
Nonexpendable	43,071	-	43,071
Expendable	367,836	-	367,836
Unrestricted	<u>(57,215,566)</u>	<u>4,427,916</u>	<u>(52,787,650)</u>
TOTAL NET POSITION	<u>\$ 50,767,800</u>	<u>\$ 13,007,803</u>	<u>\$ 63,775,603</u>

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

TOWN OF SHARON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 2,247,320	\$ 1,134,972	\$ 211,492	\$ -	\$ (900,856)	\$ -	\$ (900,856)
Public safety	9,047,903	2,050,842	71,465	-	(6,925,596)	-	(6,925,596)
Education	59,529,287	4,069,781	16,968,389	1,950,626	(36,540,491)	-	(36,540,491)
Public works	5,651,678	46,043	1,000	94,184	(5,510,451)	-	(5,510,451)
Health and human services	949,434	79,838	41,031	-	(828,565)	-	(828,565)
Culture and recreation	1,742,469	407,613	89,025	-	(1,245,831)	-	(1,245,831)
Employee benefits	15,238,279	188,586	-	-	(15,049,693)	-	(15,049,693)
Interest	2,512,406	-	-	-	(2,512,406)	-	(2,512,406)
Intergovernmental	786,002	-	-	-	(786,002)	-	(786,002)
Miscellaneous	29,748	-	-	-	(29,748)	-	(29,748)
Total Governmental Activities	97,734,526	7,977,675	17,382,402	2,044,810	(70,329,639)	-	(70,329,639)
Business-Type Activities:							
Water services	2,608,395	3,551,883	-	-	-	943,488	943,488
Total	\$ 100,342,921	\$ 11,529,558	\$ 17,382,402	\$ 2,044,810	(70,329,639)	943,488	(69,386,151)
General Revenues, Contributions, and Transfers:							
Property taxes					63,079,003	-	63,079,003
Excises					3,078,770	-	3,078,770
Penalties, interest, and other taxes					550,551	-	550,551
Grants and contributions not restricted to specific programs					1,508,100	-	1,508,100
Investment income					384,772	-	384,772
Miscellaneous					618,767	-	618,767
Transfers, net					(100,000)	-	(100,000)
Total general revenues					69,119,963	-	69,119,963
Change in Net Position					(1,209,676)	943,488	(266,188)
Net Position:							
Beginning of year					51,977,476	12,064,315	64,041,791
End of year					\$ 50,767,800	\$ 13,007,803	\$ 63,775,603

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

TOWN OF SHARON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	Public Safety Building <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and short-term investments	\$ 9,031,157	\$ 16,223,914	\$ 8,153,517	\$ 33,408,588
Investments	3,689,439	-	3,600,722	7,290,161
Receivables:				
Property taxes	1,948,903	-	-	1,948,903
Excises	166,346	-	-	166,346
Departmental	450	-	897,556	898,006
Intergovernmental	32,893	-	361,893	394,786
Other assets	827	-	-	827
	<u>14,870,015</u>	<u>16,223,914</u>	<u>13,013,688</u>	<u>44,107,617</u>
TOTAL ASSETS	\$ 14,870,015	\$ 16,223,914	\$ 13,013,688	\$ 44,107,617
LIABILITIES				
Accounts payable	\$ 1,577,427	\$ -	\$ 1,250,633	\$ 2,828,060
Accrued liabilities	2,981,142	-	-	2,981,142
Other liabilities	1,075,244	-	457	1,075,701
	<u>5,633,813</u>	<u>-</u>	<u>1,251,090</u>	<u>6,884,903</u>
TOTAL LIABILITIES	5,633,813	-	1,251,090	6,884,903
DEFERRED INFLOWS OF RESOURCES	1,962,319	-	897,558	2,859,877
FUND BALANCES				
Nonspendable	-	-	43,071	43,071
Restricted	387,023	16,223,914	7,528,028	24,138,965
Committed	313,098	-	3,320,043	3,633,141
Assigned	468,353	-	-	468,353
Unassigned	6,105,409	-	(26,102)	6,079,307
	<u>7,273,883</u>	<u>16,223,914</u>	<u>10,865,040</u>	<u>34,362,837</u>
TOTAL FUND BALANCES	7,273,883	16,223,914	10,865,040	34,362,837
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,870,015	\$ 16,223,914	\$ 13,013,688	\$ 44,107,617

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

TOWN OF SHARON, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2016

Total governmental fund balances	\$ 34,362,837
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	148,414,450
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,926,859
• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.	1,835,637
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(748,095)
• Long-term liabilities, including bonds payable and OPEB liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(103,533,426)
• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.	<u>(31,490,462)</u>
Net position of governmental activities	<u><u>\$ 50,767,800</u></u>

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

TOWN OF SHARON, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Public Safety Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 62,671,235	\$ -	\$ 494,350	\$ 63,165,585
Excises	3,058,804	-	-	3,058,804
Penalties, interest, and other taxes	551,347	-	-	551,347
Charges for services	1,053,222	-	5,995,717	7,048,939
Intergovernmental	10,416,394	-	3,467,949	13,884,343
Licenses and permits	687,934	-	-	687,934
Fines and forfeitures	74,599	-	-	74,599
Investment income	384,407	-	366	384,773
Miscellaneous	<u>283,769</u>	<u>-</u>	<u>260,798</u>	<u>544,567</u>
Total Revenues	79,181,711	-	10,219,180	89,400,891
Expenditures:				
Current:				
General government	2,024,835	-	278,388	2,303,223
Public safety	6,633,804	7,216,110	576,505	14,426,419
Education	40,481,200	-	7,595,235	48,076,435
Public works	3,628,146	-	1,985,900	5,614,046
Health and human services	611,748	-	138,582	750,330
Culture and recreation	1,141,051	-	648,086	1,789,137
Employee benefits	12,860,186	-	-	12,860,186
Debt service	9,889,182	-	6,760	9,895,942
Intergovernmental	<u>786,002</u>	<u>-</u>	<u>-</u>	<u>786,002</u>
Total Expenditures	<u>78,056,154</u>	<u>7,216,110</u>	<u>11,229,456</u>	<u>96,501,720</u>
Excess (deficiency) of revenues over expenditures	1,125,557	(7,216,110)	(1,010,276)	(7,100,829)
Other Financing Sources (Uses):				
Bond proceeds	-	-	1,849,000	1,849,000
Transfers in	678,772	-	275,000	953,772
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>(953,772)</u>	<u>(1,053,772)</u>
Total Other Financing Sources	<u>578,772</u>	<u>-</u>	<u>1,170,228</u>	<u>1,749,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,704,329	(7,216,110)	159,952	(5,351,829)
Fund Equity, at Beginning of Year	<u>5,569,554</u>	<u>23,440,024</u>	<u>10,705,088</u>	<u>39,714,666</u>
Fund Equity, at End of Year	<u>\$ 7,273,883</u>	<u>\$ 16,223,914</u>	<u>\$ 10,865,040</u>	<u>\$ 34,362,837</u>

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

TOWN OF SHARON, 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, 2016

Net changes in fund balances - total governmental funds	\$ (5,351,829)																
<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 style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="width: 20%; text-align: right;">9,522,134</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(4,198,341)</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. (100,562) • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Repayments of debt</td> <td style="width: 20%; text-align: right;">7,580,797</td> </tr> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(1,849,000)</td> </tr> <tr> <td>Repayment of capital lease</td> <td style="text-align: right;">59,687</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. (45,021) • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Compensated absences</td> <td style="width: 20%; text-align: right;">(111,030)</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;">(6,096,127)</td> </tr> <tr> <td>Landfill</td> <td style="text-align: right;">25,000</td> </tr> </table> • Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities. (727,737) • Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds. 82,353 		Capital outlay purchases	9,522,134	Depreciation	(4,198,341)	Repayments of debt	7,580,797	Issuance of debt	(1,849,000)	Repayment of capital lease	59,687	Compensated absences	(111,030)	Net OPEB obligation	(6,096,127)	Landfill	25,000
Capital outlay purchases	9,522,134																
Depreciation	(4,198,341)																
Repayments of debt	7,580,797																
Issuance of debt	(1,849,000)																
Repayment of capital lease	59,687																
Compensated absences	(111,030)																
Net OPEB obligation	(6,096,127)																
Landfill	25,000																
Change in net position of governmental activities	\$ <u>(1,209,676)</u>																

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

TOWN OF SHARON, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Taxes	\$ 62,509,614	\$ 62,509,614	\$ 62,509,614	\$ -
Excise	2,800,000	2,800,000	3,058,804	258,804
Penalties, interest, and other taxes	441,760	441,760	551,347	109,587
Charges for services	296,000	296,000	1,045,622	749,622
Intergovernmental	10,441,604	10,441,604	10,416,394	(25,210)
Licenses and permits	507,900	507,900	687,934	180,034
Fines and forfeits	71,000	71,000	74,599	3,599
Investment income	183,500	183,500	384,407	200,907
Miscellaneous	-	-	257,521	257,521
Transfers in	654,215	654,215	678,772	24,557
Use of overlay surplus	75,000	75,000	75,000	-
Fund balance reserve for excluded debt	25,293	25,293	25,293	-
Other sources	625,000	625,000	625,000	-
Total Revenues and Other Sources	78,630,886	78,630,886	80,390,307	1,759,421
Expenditures and Other Uses:				
General government	2,260,276	2,260,276	1,949,492	310,784
Public safety	6,725,116	6,725,116	6,632,690	92,426
Education	40,305,737	40,305,737	40,285,969	19,768
Public works	3,684,188	3,684,188	3,621,563	62,625
Health and human services	676,575	676,575	619,383	57,192
Culture and recreation	1,149,161	1,149,161	1,132,752	16,409
Debt service	9,894,905	9,894,905	9,889,182	5,723
Intergovernmental	782,689	782,689	786,002	(3,313)
Employee benefits	12,952,239	12,952,239	12,892,609	59,630
Transfers out	200,000	200,000	200,000	-
Total Expenditures and Other Uses	78,630,886	78,630,886	78,009,642	621,244
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,380,665</u>	\$ <u>2,380,665</u>

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

TOWN OF SHARON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-Type Activities <u>Enterprise Funds</u>	Governmental <u>Activities</u>
	Water <u>Fund</u>	Internal Service <u>Funds</u>
ASSETS		
Current:		
Cash and short-term investments	\$ 4,140,386	\$ -
Investments	-	3,007,003
User fees, net of allowance for uncollectibles	<u>1,141,927</u>	<u>-</u>
Total current assets	5,282,313	3,007,003
Noncurrent:		
Capital assets:		
Land and construction in progress	1,929,982	-
Other capital assets, net of accumulated depreciation	<u>9,229,905</u>	<u>-</u>
Total noncurrent assets	11,159,887	-
DEFERRED OUTFLOWS OF RESOURCES	<u>43,196</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	16,485,396	3,007,003
LIABILITIES		
Current:		
Accounts payable	105,310	494,141
Accrued liabilities	-	677,225
Current portion of long-term liabilities:		
Bonds payable	210,000	-
Compensated absence	<u>2,624</u>	<u>-</u>
Total current liabilities	317,934	1,171,366
Noncurrent:		
Bonds payable, net of current portion	2,370,000	-
Compensated absence, net of current portion	49,859	-
Net OPEB obligation	426,641	-
Net pension liability	276,355	-
DEFERRED INFLOWS OF RESOURCES	<u>36,804</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,477,593	1,171,366
NET POSITION		
Net investment in capital assets	8,579,887	-
Unrestricted	<u>4,427,916</u>	<u>1,835,637</u>
TOTAL NET POSITION	<u>\$ 13,007,803</u>	<u>\$ 1,835,637</u>

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

TOWN OF SHARON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds	Governmental Activities
	<u>Water Fund</u>	<u>Internal Service Fund</u>
Operating Revenues:		
Charges for services	\$ 3,534,144	\$ -
Employee and employer contributions	-	11,193,479
Miscellaneous	<u>17,739</u>	<u>-</u>
Total Operating Revenues	3,551,883	11,193,479
Operating Expenses:		
Operating expenses	2,125,799	-
Depreciation	404,262	-
Employee benefits	<u>-</u>	<u>11,921,216</u>
Total Operating Expenses	<u>2,530,061</u>	<u>11,921,216</u>
Operating Income	1,021,822	(727,737)
Nonoperating Revenues (Expenses):		
Interest expense	<u>(78,334)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(78,334)</u>	<u>-</u>
Change in Net Position	943,488	(727,737)
Net Position at Beginning of Year	<u>12,064,315</u>	<u>2,563,374</u>
Net Position at End of Year	<u>\$ 13,007,803</u>	<u>\$ 1,835,637</u>

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

TOWN OF SHARON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities <u>Enterprise Funds</u>	Governmental <u>Activities</u>
	Water <u>Fund</u>	Internal Service <u>Fund</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 3,588,468	\$ 11,406,341
Payments to vendors and employees	<u>(2,062,255)</u>	<u>(11,297,527)</u>
Net Cash Provided By Operating Activities	1,526,213	108,814
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Proceeds of bonds	(219,900)	-
Interest expense	(78,334)	-
Acquisition and construction of capital assets	<u>(1,510,300)</u>	<u>-</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,808,534)	-
<u>Cash Flows From Investing Activities:</u>		
Investment purchases (sales)	<u>-</u>	<u>(108,814)</u>
Net Cash (Used For) Investing Activities	<u>-</u>	<u>(108,814)</u>
Net Change in Cash and Short-Term Investments	(282,321)	-
Cash and Short-Term Investments, Beginning of Year	<u>4,422,707</u>	<u>-</u>
Cash and Short-Term Investments, End of Year	<u>\$ 4,140,386</u>	<u>\$ -</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>		
Operating income	\$ 1,021,822	\$ (727,737)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	404,262	-
Changes in assets and liabilities:		
User fees	36,585	-
Other receivables	-	212,862
Other assets	(31,537)	-
Warrants and accounts payable	(30,036)	489,158
Accrued liabilities	-	134,531
Accrued other post employment benefits	91,787	-
Net pension liability	(5,973)	-
Other liabilities	<u>39,303</u>	<u>-</u>
Net Cash Provided By Operating Activities	<u>\$ 1,526,213</u>	<u>\$ 108,814</u>

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

TOWN OF SHARON, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2016

	<u>Private Purpose Trust Funds</u>	<u>Other Post-Employment Benefits Trust Fund</u>	<u>Agency Funds</u>
ASSETS			
Cash and short-term investments	\$ 113,657	\$ -	\$ -
Investments	2,479	161,183	349,165
Cash held by others	-	-	48,255
Accounts receivable	-	-	47,479
Total Assets	116,136	161,183	444,899
LIABILITIES			
Other liabilities	-	-	444,899
Total Liabilities	-	-	444,899
NET POSITION			
Total net assets	\$ 116,136	\$ 161,183	\$ -

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

TOWN OF SHARON, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust Funds</u>	<u>Other Post-Employment Benefits Trust Fund</u>
Additions:		
Contributions	\$ 3,454	\$ -
Investment income	59	11,150
Transfers in	<u>-</u>	<u>100,000</u>
Total additions	3,513	111,150
Deductions:		
Miscellaneous expenditures	<u>1,600</u>	<u>-</u>
Total deductions	<u>1,600</u>	<u>-</u>
Net increase	1,913	111,150
Net position:		
Beginning of year	<u>114,223</u>	<u>50,033</u>
End of year	<u>\$ 116,136</u>	<u>\$ 161,183</u>

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

TOWN OF SHARON, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Sharon, Massachusetts (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 Town 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 2016, 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 non-fiduciary 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town 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 Town 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 *public safety building fund* accounts for funds used in the construction of the new public safety facility at the current police and department of public works property.

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 Town reports the following major proprietary fund:

- Water operations

The *self-insured employee health program* is reported as an internal service fund in the accompanying financial statements.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *other post-employment benefits trust fund* is used to account for assets that are dedicated to providing benefits to retirees. These funds reduce the unfunded actuarial liability of healthcare and other post-employment benefits. Contributions to this fund are irrevocable.

The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

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

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

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

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements 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 2016 tax levy reflected an excess capacity of \$1,602,227.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

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, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

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

J. Fund Equity

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision-making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 79,181,711	\$ 78,056,154
Other financing sources/uses (GAAP basis)	<u>678,772</u>	<u>100,000</u>
Subtotal (GAAP Basis)	79,860,483	78,156,154
Adjust tax revenue to accrual basis	(161,621)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(927,418)
Add end-of-year appropriation carryforwards from expenditures	-	680,906
To record use of free cash	625,000	-
To record use of overlay surplus	75,000	-
To record use of fund balance for excluded debt	25,293	-
To remove the effects of non-budgeted stabilization fund	(26,248)	100,000
Reclassification	<u>(7,600)</u>	<u>-</u>
Budgetary basis	<u>\$ 80,390,307</u>	<u>\$ 78,009,642</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2016:

<u>Special Revenue Funds:</u>	
GR 317 Metco Grant	\$ (564)
Public safety fire donation	(2,640)
Chapter 90	<u>(22,898)</u>
	<u>\$ (26,102)</u>

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

3. Cash and Short-Term Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is

the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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

As of June 30, 2016, \$12,776,428 of the Town's bank balances of \$40,793,294 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>Aaa</u>	<u>Not Rated</u>
U.S. Treasury bonds	\$ 641		\$ -	\$ 641	\$ -
Certificates of deposits	6,348	N/A	6,348	-	-
Corporate bonds	565		-	-	565
Corporate equities	1,069	N/A	1,069	-	-
Mutual funds	739	N/A	739	-	-
Federal agency securities	<u>1,448</u>		<u>-</u>	<u>1,448</u>	<u>-</u>
Total investments	<u>\$ 10,810</u>		<u>\$ 8,156</u>	<u>\$ 2,089</u>	<u>\$ 565</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Investment Maturities (in Years)</u>		
			<u>1-5</u>	<u>6-10</u>	<u>N/A</u>
Debt-related Securities:					
U.S. Treasury bonds	\$ 641	\$ -	\$ 409	\$ 232	\$ -
Certificates of deposit	6,348	5,357	991	-	-
Corporate bonds	565	181	384	-	-
Corporate equities	1,069	-	-	-	1,069
Mutual funds	739	-	-	-	739
Federal agency securities	<u>1,448</u>	<u>50</u>	<u>1,398</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,810</u>	<u>\$ 5,588</u>	<u>\$ 3,182</u>	<u>\$ 232</u>	<u>\$ 1,808</u>

E. Foreign Currency Risk

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

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Town's investments are classified as Level 1, except certificates of deposit which are reported at cost.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a 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, 2016 consist of the following (in thousands):

Real Estate		
2016	\$ 434	
2015	25	
2014	<u>3</u>	462
Personal Property		
2016	1	
2015	1	
2014	<u>1</u>	3
Tax Liens		585
Deferred Taxes		<u>899</u>
Total		<u>\$ 1,949</u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 201	\$ -
Excises	\$ 26	\$ -
Utilities	\$ -	\$ 18
Other	\$ -	\$ 704

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2016.

8. Interfund Fund Accounts

Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. 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 following is an analysis of interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 678,772	\$ 100,000
Nonmajor Funds:		
Special Revenue Funds	-	953,772
Capital Project Funds:	<u>275,000</u>	<u>-</u>
Subtotal Nonmajor Funds	<u>275,000</u>	<u>953,772</u>
<u>Fiduciary Funds:</u>		
Other Post-Employment Benefits Trust Fund	<u>100,000</u>	<u>-</u>
Subtotal Fiduciary Funds:	<u>100,000</u>	<u>-</u>
Grand Total	\$ <u><u>1,053,772</u></u>	\$ <u><u>1,053,772</u></u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 84,266	\$ 5,389	\$ -	\$ 89,655
Machinery, equipment, and furnishings	16,943	882	-	17,825
Infrastructure	<u>24,247</u>	<u>593</u>	<u>-</u>	<u>24,840</u>
Total capital assets, being depreciated	125,456	6,864	-	132,320
Less accumulated depreciation for:				
Buildings and improvements	(29,859)	(2,562)	-	(32,421)
Machinery, equipment, and furnishings	(12,548)	(1,006)	-	(13,554)
Infrastructure	<u>(5,330)</u>	<u>(631)</u>	<u>-</u>	<u>(5,961)</u>
Total accumulated depreciation	<u>(47,737)</u>	<u>(4,199)</u>	<u>-</u>	<u>(51,936)</u>
Total capital assets, being depreciated, net	77,719	2,665	-	80,384
Capital assets, not being depreciated:				
Land	20,885	-	-	20,885
Construction in progress	<u>44,487</u>	<u>2,659</u>	<u>-</u>	<u>47,146</u>
Total capital assets, not being depreciated	<u>65,372</u>	<u>2,659</u>	<u>-</u>	<u>68,031</u>
Governmental activities capital assets, net	<u>\$ 143,091</u>	<u>\$ 5,324</u>	<u>\$ -</u>	<u>\$ 148,415</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,104	\$ -	\$ -	\$ 1,104
Machinery, equipment, and furnishings	16,659	-	-	16,659
Infrastructure	<u>4,813</u>	<u>1,510</u>	<u>-</u>	<u>6,323</u>
Total capital assets, being depreciated	22,576	1,510	-	24,086
Less accumulated depreciation for:				
Buildings and improvements	(683)	(28)	-	(711)
Machinery, equipment, and furnishings	(13,293)	(263)	-	(13,556)
Infrastructure	<u>(476)</u>	<u>(113)</u>	<u>-</u>	<u>(589)</u>
Total accumulated depreciation	<u>(14,452)</u>	<u>(404)</u>	<u>-</u>	<u>(14,856)</u>
Total capital assets, being depreciated, net	8,124	1,106	-	9,230
Capital assets, not being depreciated:				
Land	<u>1,930</u>	<u>-</u>	<u>-</u>	<u>1,930</u>
Total capital assets, not being depreciated	<u>1,930</u>	<u>-</u>	<u>-</u>	<u>1,930</u>
Business-type activities capital assets, net	<u>\$ 10,054</u>	<u>\$ 1,106</u>	<u>\$ -</u>	<u>\$ 11,160</u>

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

Governmental Activities:	
General government	\$ 99
Public safety	460
Education	2,360
Public works	964
Health and human services	228
Culture and recreation	<u>88</u>
Total depreciation expense - governmental activities	<u>\$ 4,199</u>
Business-Type Activities:	
Water	<u>\$ 404</u>
Total depreciation expense - business-type activities	<u>\$ 404</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, 2016:

	<u>Entity-wide Basis</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Pension related:		
Differences between expected and actual experience	\$ 653,169	\$ 5,600
Net difference between projected and actual pension investment earnings	<u>4,385,438</u>	<u>37,596</u>
Total	<u>\$ 5,038,607</u>	<u>\$ 43,196</u>

11. Accounts Payable and Accrued Expenses

Accounts payable represent 2016 expenditures paid after July 15, 2016. Accrued expenses represent 2016 expenditures paid in 2017.

12. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2024. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2016:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2017	\$ 75,052
2018	75,052
2019	75,051
2020	47,047
2021	47,047
Thereafter	<u>117,617</u>
Total minimum lease payments	436,866
Less amounts representing interest	<u>(50,253)</u>
Present Value of Minimum Lease Payments	<u>\$ 386,613</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 both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/16</u>
Municipal purpose loan	1/15/2018	4.60%	\$ 600,000
Municipal purpose loan	3/15/2018	4.44%	660,000
Septic loan	8/1/2018	0.00%	32,604
Septic loan	8/1/2019	0.00%	54,365
Municipal purpose loan	5/1/2021	4.27%	2,175,000
Municipal purpose loan	3/15/2022	3.99%	3,810,000
Municipal purpose loan of 2006	2/1/2026	4.00%	1,220,000
General obligation land acquisition	8/15/2017	6.25%	280,000
General obligation	8/30/2031	2.81%	17,835,000
General obligation	5/1/2027	1.81%	1,675,000
General obligation	10/15/2034	3.00%	5,720,000
General obligation	1/15/2035	3.00%	24,050,000
General obligation	6/30/2026	3.00%	8,030,000
General obligation	6/30/2027	3.00%	<u>1,335,000</u>
Total Governmental Activities:			<u>\$ 67,476,969</u>

<u>Business-Type Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/16
Water improvements	5/1/2027	1.81%	\$ 600,000
General obligation	10/15/2034	3.00%	1,345,000
General obligation	1/15/2035	3.00%	<u>635,000</u>
Total Business-Type Activities:			<u>\$ 2,580,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2016 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 6,671,697	\$ 2,163,000	\$ 8,834,697
2018	6,411,697	1,923,414	8,335,111
2019	5,511,697	1,670,774	7,182,471
2020	5,290,829	1,497,448	6,788,277
2021	5,126,049	1,336,969	6,463,018
2022 - 2026	19,810,000	4,657,376	24,467,376
2027 - 2031	13,450,000	2,076,598	15,526,598
2032 - 2035	<u>5,205,000</u>	<u>388,352</u>	<u>5,593,352</u>
Total	<u>\$ 67,476,969</u>	<u>\$ 15,713,931</u>	<u>\$ 83,190,900</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 210,000	\$ 72,983	\$ 282,983
2018	205,000	66,807	271,807
2019	200,000	60,706	260,706
2020	185,000	55,408	240,408
2021	180,000	50,695	230,695
2022 - 2026	805,000	191,301	996,301
2027 - 2031	500,000	95,242	595,242
2032 - 2035	<u>295,000</u>	<u>19,328</u>	<u>314,328</u>
Total	<u>\$ 2,580,000</u>	<u>\$ 612,470</u>	<u>\$ 3,192,470</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/15	Additions	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Long-Term Portion 6/30/16
<u>Governmental Activities</u>						
Bonds payable	\$ 73,209	\$ 1,849	\$ (7,581)	\$ 67,477	\$ (6,672)	\$ 60,805
Other:						
Compensated absences	2,221	111	-	2,332	(117)	2,215
Landfill closure	425	-	(25)	400	(25)	375
Capital lease	446	-	(59)	387	(62)	325
Accrued other post-employment benefits	26,842	6,096	-	32,938	-	32,938
Net pension liability	32,933	-	(697)	32,236	-	32,236
Totals	\$ <u>136,076</u>	\$ <u>8,056</u>	\$ <u>(8,362)</u>	\$ <u>135,770</u>	\$ <u>(6,876)</u>	\$ <u>128,894</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 2,800	\$ -	\$ (220)	\$ 2,580	\$ (210)	\$ 2,370
Other:						
Compensated absences	50	3	-	53	(3)	50
Accrued other post-employment benefits	335	92	-	427	-	427
Net pension liability	282	-	(6)	276	-	276
Totals	\$ <u>3,467</u>	\$ <u>95</u>	\$ <u>(226)</u>	\$ <u>3,336</u>	\$ <u>(213)</u>	\$ <u>3,123</u>

14. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid in future years, the Town reports a portion of these postclosure care costs as a liability in the financial statements in each period for the number of years remaining.

The landfill is closed and the Town has recognized a liability of \$400,000 based on what it would cost to perform all postclosure care in 2016. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. Deferred Inflows of Resources

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

The following is a summary of deferred inflow of resources balances as of June 30, 2016:

	Entity-wide Basis		Fund Basis	
	Governmental Activities	Business-type Activities	Governmental Funds General Fund	Nonmajor
Unavailable revenues	\$ -	\$ -	\$ 1,962,319	\$ 897,558
Pension related:				
Changes in assumptions	2,716,757	23,290	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,576,231	13,514	-	-
Total	\$ <u>4,292,988</u>	\$ <u>36,804</u>	\$ <u>1,962,319</u>	\$ <u>897,558</u>

16. 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 is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

17. Governmental Funds - Balances

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

The Town has 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, 2016:

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, and surplus set aside to be used in the subsequent year's budget.

Unassigned - Represents amounts that are available to be spent in future periods. This fund balance classification also includes general and budgetary stabilization funds set aside by Town meeting vote for future use (now reported as part of the general fund per GASB 54) and temporary deficits in other government funds.

Following is a breakdown of the Town's fund balances at June 30, 2016:

	General Fund	Public Safety Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 43,071	\$ 43,071
Total Nonspendable	-	-	43,071	43,071
Restricted				
Reserve for excluded debt	387,023	-	-	387,023
Special revenue funds	-	-	6,563,751	6,563,751
Capital project fund	-	16,223,914	553,371	16,777,285
Expendable permanent funds	-	-	410,906	410,906
Total Restricted	387,023	16,223,914	7,528,028	24,138,965
Committed				
Special articles				
General government	313,098	-	-	313,098
Special revenue funds	-	-	3,320,043	3,320,043
Total Committed	313,098	-	3,320,043	3,633,141
Assigned				
Encumbrances				
General government	13,162	-	-	13,162
Public safety	22,651	-	-	22,651
Education	310,671	-	-	310,671
Health and human services	10,278	-	-	10,278
Culture and recreation	11,298	-	-	11,298
Reserve for overlay surplus	75,000	-	-	75,000
Reserved for expenditures	25,293	-	-	25,293
Total Assigned	468,353	-	-	468,353
Unassigned				
General fund	5,501,038	-	-	5,501,038
Stabilization	604,371	-	-	604,371
Capital project fund	-	-	(26,102)	(26,102)
Total Unassigned	6,105,409	-	(26,102)	6,079,307
Total Fund Balances	\$ 7,273,883	\$ 16,223,914	\$ 10,865,040	\$ 34,362,837

18. **Commitments and Contingencies**

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

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

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 July 1, 2014, the actuarial valuation date, approximately 403 retirees and 831 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 10% - 40% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2016 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, 2016, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2014.

Annual Required Contribution (ARC)	\$ 6,816,153
Interest on net OPEB obligation	1,087,078
Adjustment to ARC	<u>524,625</u>
Annual OPEB cost	8,427,856
Contributions made	<u>(2,239,942)</u>
Increase in net OPEB obligation	6,187,914
Net OPEB obligation - beginning of year	<u>27,176,947</u>
Net OPEB obligation - end of year	<u>\$ 33,364,861</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 8,427,856	27%	\$ 33,364,861
2015	\$ 7,892,878	27%	\$ 27,176,947
2014	\$ 6,342,456	35%	\$ 21,427,061

The Town's net OPEB obligation as of June 30, 2016 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 71,321,396
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 71,321,396</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 41,276,472</u>
UAAL as a percentage of covered payroll	<u>172.8%</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 July 1, 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 7%, which decreases to a 5% long-term rate for all healthcare benefits after ten 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 level dollar amortization over 30 years at transition.

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 Norfolk Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 614 High Street, Suite 201, Dedham, Massachusetts 02027-0310.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, 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. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town/City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2

and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants 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 on or 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%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

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, 2016 was \$3,824,140, which was equal to its annual required contribution.

B. 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.

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

At June 30, 2016, the Town reported a liability of \$32,512,436 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 December 31, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015, the Town's proportion was 5.985212 percent.

For the year ended June 30, 2016, the Town recognized pension expense of \$3,554,823. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 658,769	\$ -
Changes of assumptions	-	2,740,047
Net difference between projected and actual earnings on pension plan investments	4,423,034	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	1,589,745
Total	<u>\$ 5,081,803</u>	<u>\$ 4,329,792</u>

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

Year ended June 30:	
2016	\$ 233,051
2017	233,051
2018	233,051
2019	<u>52,858</u>
Total	\$ <u><u>752,011</u></u>

D. Actuarial Assumptions:

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

COLA	3% of the first \$15,000
Salary increases	4% per year, including longevity
Investment rate of return	8.25%

Mortality rates were based on the RP-200 mortality table (sex-distinct, healthy employees for actives and healthy annuitants for retirees) projected with scale BB and Generational Mortality. Disabled mortality is the healthy retiree table ages set forward 2 years.

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>
Domestic equity	32.00%	9.40%
International equity	17.50%	9.70%
Fixed income	19.00%	3.40%
Real estate	9.00%	7.70%
Private equity	8.50%	13.60%
Hedge funds	9.00%	7.90%
Real assets	5.00%	7.90%

E. 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.

F. 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 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7%) or 1 percentage-point higher (9%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
June 30, 2016	\$ 40,774,773	\$ 32,512,436	\$ 25,460,292

G. 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, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

- (a) 7.5% 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-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Post-retirement – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years.

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2015</u>	<u>2014</u>
Global equity	40.0%	6.9%	7.20%
Core fixed income	13.0%	2.4%	2.50%
Private equity	10.0%	8.5%	8.80%
Real estate	10.0%	6.5%	6.30%
Value added fixed income	10.0%	5.8%	6.30%
Hedge funds	9.0%	5.8%	5.50%
Portfolio completion strategies	4.0%	5.5%	0.00%
Timber/natural resources	4.0%	6.6%	5.00%
Total	100.0%		

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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</u> <u>Ended</u>	<u>1% Decrease</u> <u>to 6.5%</u>	<u>Current Discount</u> <u>Rate 7.5%</u>	<u>1% Increase</u> <u>to 8.5%</u>
June 30, 2015	\$ 25,449,000	\$ 20,489,643	\$ 16,221,000

G. Special Funding Situation

The Commonwealth is a nonmember contributor and is required by statute to make all actuarially 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 2015 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$85,053,177 and \$6,898,570 respectively, based on a proportionate share of .415103%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

22. Self-Insurance

The Town self-insures against claims for workers compensation, unemployment, and most employee health coverage. Annual estimated requirements for claims are provided in the Town’s annual operating budget.

Workers Compensation

The Town contracts with an insurance consultant for claims processing of the Town’s workers compensation policy, which has no excess liability coverage for any employees. The Workers Compensation claims liability represents an estimate of future costs based on a historical analysis of similar claims for all employees excluding public safety. The Town is unable to make any reasonable estimate of its liability for public safety employees.

Health Insurance

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for claims up to \$100,000 per individual. The claims liability represents an estimate of claims incurred but unpaid at year-end, based on past historical costs and claims paid subsequent to year-end.

Changes in the aggregate liability for claims for the year ended June 30, 2016 are as follows:

	<u>Health Coverage</u>
Claims liability, beginning of year	\$ 542,694
Claims incurred/recognized in fiscal year 2016	11,921,216
Claims paid in fiscal year 2016	<u>(11,786,685)</u>
Claims liability, end of year	<u>\$ 677,225</u>

23. Risk Management

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

**TOWN OF SHARON, MASSACHUSETTS
SCHEDULE OF OPEB FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2016
(Unaudited)**

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/14	\$ -	\$ 71,321,396	\$ 71,321,396	0.0%	\$ 41,276,472	172.8%
07/01/12	\$ -	\$ 70,047,919	\$ 70,047,919	0.0%	\$ 36,066,932	194.2%
07/01/10	\$ -	\$ 51,261,193	\$ 51,261,193	0.0%	\$ 32,012,340	160.1%
07/01/08	\$ -	\$ 45,886,431	\$ 45,886,431	0.0%	\$ 31,016,752	147.9%

See Independent Auditors' Report.

TOWN OF SHARON, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016
(Unaudited)

Norfolk County Retirement System						
Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability	
June 30, 2016	5.985212%	\$32,512,436	\$ 16,355,566	198.79%	58.60%	
June 30, 2015	6.404452%	\$33,215,101	\$ 16,148,680	205.68%	60.10%	

Massachusetts Teachers' Retirement System							
Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2016	0.415103%	\$ 85,053,177	\$ -	\$ 85,053,177	\$ 26,312,914	323.24%	55.38%
June 30, 2015	0.418239%	\$ 66,484,812	\$ -	\$ 66,484,812	\$ 25,644,299	259.26%	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 SHARON, MASSACHUSETTS

**SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016
(Unaudited)**

<u>Norfolk County Retirement System</u>					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 3,824,140	\$ 3,824,140	\$ -	\$ 16,355,566	23.38%
June 30, 2015	\$ 3,098,701	\$ 3,098,701	\$ -	\$ 16,148,680	19.19%

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

See Independent Auditors' Report.