

TOWN OF BOXFORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2014

Town of Boxford, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Boxford, 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, each major fund, and the aggregate remaining fund information of the Town of Boxford, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an 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, each major fund, and the aggregate remaining fund information of the Town of Boxford, Massachusetts, as of June 30, 2014, and the respective changes in financial position 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 the Management's Discussion and Analysis and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

January 16, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Boxford, Massachusetts we offer readers this narrative overview and analysis of the financial activities of the Town of Boxford for the fiscal year ended June 30, 2014.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information showing how the 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).

The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, insurance and benefits, interest, and intergovernmental expense.

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 two categories: governmental 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 Funds Balance Sheet and the Governmental Funds 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.

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, total assets exceeded liabilities by \$49,002,092 (i.e., net position), a change of \$666,937 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$9,802,623, a change of \$(189,021) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,531,226, a change of \$250,761 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$8,948,249, a change of \$(1,108,566) 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

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 11,916,720	\$ 11,100,882
Capital assets	<u>56,048,870</u>	<u>56,379,454</u>
Total assets	67,965,590	67,480,336
Current liabilities	3,135,337	2,154,231
Noncurrent liabilities	15,758,096	16,948,941
Deferred inflows	<u>70,065</u>	<u>42,009</u>
Total liabilities and deferred inflows	18,963,498	19,145,181
Net position:		
Net investment in capital assets	46,929,752	47,057,418
Restricted	4,875,730	4,486,087
Unrestricted	<u>(2,803,390)</u>	<u>(3,208,350)</u>
Total net position	<u>\$ 49,002,092</u>	<u>\$ 48,335,155</u>

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,297,460	\$ 1,182,853
Operating grants and contributions	3,433,290	3,773,071
Capital grants and contributions	427,319	431,408
General revenues:		
Taxes	24,535,178	24,190,418
Excises	1,448,158	1,372,972
Interest, penalties, and other taxes	83,865	86,739
Grants and contributions not restricted to specific programs	1,187,972	944,344
Investment income	124,928	47,473
Miscellaneous	<u>19,901</u>	<u>52,355</u>
Total revenues	32,558,071	32,081,633

(continued)

(continued)

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Expenses:		
General government	2,029,672	2,010,179
Public safety	2,568,624	2,460,596
Education	20,772,411	21,903,774
Public works	2,742,615	2,699,501
Health and human services	293,385	303,341
Culture and recreation	849,429	907,390
Insurance and benefits	1,924,034	2,186,923
Interest expense	284,980	316,981
Intergovernmental	175,984	197,131
Total expenses	<u>31,641,134</u>	<u>32,985,816</u>
Change in net position	916,937	(904,183)
Transfers in (out)	<u>(250,000)</u>	<u>(250,000)</u>
Change in net position	666,937	(1,154,183)
Net position - beginning of year	<u>48,335,155</u>	<u>49,489,338</u>
Net position - end of year	<u>\$ 49,002,092</u>	<u>\$ 48,335,155</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 \$49,002,092, a change of \$666,937 from the prior year.

The largest portion of net position \$46,929,752 reflects our investment in capital assets (e.g., land, construction in progress, land improvements, buildings and building improvements, machinery, equipment and vehicles, 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 \$4,875,730 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit balance of \$(2,803,390), which was primarily caused by unfunded OPEB costs.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$666,937. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 263,925
Community Preservation fund change in fund balance	386,371
Library Design fund change in fund balance	(365,851)
Nonmajor funds change in fund balance (accrual basis)	466,293
Depreciation expense in excess of principal debt service	(592,623)
Capital acquisitions funded with general and Community Preservation funds	462,802
Change in OPEB liability	15,302
Other	<u>30,718</u>
Total	<u>\$ 666,937</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$9,802,623, a change of \$(189,021) in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and other financing sources in excess of expenditures and other financing uses	\$ 263,925
Community Preservation fund revenues over expenditures	386,371
Library Design fund expenditures	(365,851)
Nason Land fund expenditures	(15,264)
Nonmajor fund expenditures and other financing uses in excess of revenues and other financing sources	<u>(458,202)</u>
Total	<u>\$ (189,021)</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 \$3,531,226, while total fund balance was \$5,267,435. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 3,531,226	\$ 3,280,465	\$ 250,761	12.0%
Total fund balance	\$ 5,267,435	\$ 5,003,510	\$ 263,925	17.9%

The total fund balance of the general fund changed by \$263,925 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 551,902
Expenditures less than budget	171,543
Use of free cash as a funding source	(993,689)
Current year encumbrances in excess of prior year encumbrances	230,261
Change in stabilization fund balance	21,280
Prior year snow/ice deficit raised	159,965
Other	122,663
Total	<u>\$ 263,925</u>

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

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
General stabilization fund	\$ 777,982	\$ 756,702	\$ 21,280

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$31,499. This increase for supplemental capital appropriations was funded by free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$56,048,870 (net of accumulated depreciation), a change of \$(330,584) from the prior year. This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, machinery, equipment and vehicles, and infrastructure.

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

- \$366,425 of construction in progress for various projects, including the fire station floor drains/tight tanks and the Cole School playgrounds.
- \$38,468 for various land improvements, including the reconstruction of the Main Street fire station parking lot.
- \$57,912 for building improvements, including renovations at the Elm Street library.
- \$440,758 for various machinery, equipment, and vehicles, including a fire pumper tanker and phone system for the Cole and Spofford Pond schools.
- \$498,998 for infrastructure improvements to the Spofford Pond school water treatment plant and various Town roads.
- Loss on disposal of various public safety vehicles of \$(31,956).
- Current year depreciation expense of \$(1,701,189).

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

Credit rating. During the fiscal year, the Town's Moody's credit rating remained unchanged at Aa1.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$8,948,249, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Director of Municipal Finance/Town Accountant
Town of Boxford, Massachusetts
7A Spofford Road, 2nd Floor
Boxford, Massachusetts 01921

TOWN OF BOXFORD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 5,302,469
Investments	6,320,874
Receivables, net of allowance for uncollectibles:	
Taxes	205,265
Excises	47,294
Betterments	5,940
Due from other governments	4,751
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Betterments	30,127
Land and construction in progress	20,216,526
Capital assets, net of accumulated depreciation	<u>35,832,344</u>
TOTAL ASSETS	67,965,590
LIABILITIES	
Current:	
Warrants payable	140,454
Accrued liabilities	411,343
Tax refunds payable	242,556
Notes payable	1,027,150
Due to OPEB trust	22,282
Other	99,293
Current portion of long-term liabilities:	
Bonds payable	1,108,562
Other liabilities	83,697
Noncurrent:	
Bonds payable, net of current portion	7,839,687
Other liabilities, net of current portion	1,366,557
Other post-employment benefits	6,551,852
DEFERRED INFLOWS OF RESOURCES	<u>70,065</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	18,963,498
NET POSITION	
Net investment in capital assets	46,929,752
Restricted for:	
Community preservation funds	3,449,777
Grants and other statutory restrictions	1,412,362
Permanent funds:	
Nonexpendable	5,082
Expendable	8,509
Unrestricted	<u>(2,803,390)</u>
TOTAL NET POSITION	<u><u>\$ 49,002,092</u></u>

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

TOWN OF BOXFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for	Operating	Capital	
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u> <u>Contributions</u>	<u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities:					
General government	\$ 2,029,672	\$ 85,366	\$ 30,732	\$ -	\$ (1,913,574)
Public safety	2,568,624	335,230	25,368	-	(2,208,026)
Education	20,772,411	558,647	3,313,070	-	(16,900,694)
Public works	2,742,615	254,073	80	427,319	(2,061,143)
Health and human services	293,385	31,180	45,479	-	(216,726)
Culture and recreation	849,429	32,964	16,724	-	(799,741)
Insurance and benefits	1,924,034	-	1,837	-	(1,922,197)
Interest expense	284,980	-	-	-	(284,980)
Intergovernmental	175,984	-	-	-	(175,984)
Total Governmental Activities	<u>\$ 31,641,134</u>	<u>\$ 1,297,460</u>	<u>\$ 3,433,290</u>	<u>\$ 427,319</u>	(26,483,065)
General Revenues:					
					24,535,178
					1,448,158
					83,865
					1,187,972
					124,928
					19,901
					(250,000)
Total general revenues					<u>27,150,002</u>
Change in Net Position					666,937
Net Position:					
					48,335,155
End of year					<u>\$ 49,002,092</u>

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

TOWN OF BOXFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	General Fund	Community Preservation Fund	Library Design Fund	Nason Land Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and short-term investments	\$ 3,121,949	\$ 203,275	\$ 29,149	\$ 433,386	\$ 1,514,710	\$ 5,302,469
Investments	2,938,884	3,246,674	-	-	135,316	6,320,874
Receivables:						
Taxes	201,598	3,667	-	-	-	205,265
Excises	59,327	-	-	-	-	59,327
Due from other governments	4,751	-	-	-	-	4,751
TOTAL ASSETS	\$ 6,326,509	\$ 3,453,616	\$ 29,149	\$ 433,386	\$ 1,650,026	\$ 11,892,686
LIABILITIES						
Warrants payable	\$ 140,454	\$ -	\$ -	\$ -	\$ -	\$ 140,454
Accrued liabilities	349,488	-	-	-	-	349,488
Tax refunds payable	242,556	-	-	-	-	242,556
Notes payable	-	-	395,000	448,650	183,500	1,027,150
Due to OPEB trust	22,282	-	-	-	-	22,282
Other	99,293	-	-	-	-	99,293
TOTAL LIABILITIES	854,073	-	395,000	448,650	183,500	1,881,223
DEFERRED INFLOWS OF RESOURCES	205,001	3,839	-	-	-	208,840
FUND BALANCES						
Nonspendable	-	-	-	-	5,082	5,082
Restricted	-	3,449,777	-	-	1,621,404	5,071,181
Committed	580,883	-	-	-	83,763	664,646
Assigned	1,155,326	-	-	-	-	1,155,326
Unassigned	3,531,226	-	(365,851)	(15,264)	(243,723)	2,906,388
TOTAL FUND BALANCES	5,267,435	3,449,777	(365,851)	(15,264)	1,466,526	9,802,623
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,326,509	\$ 3,453,616	\$ 29,149	\$ 433,386	\$ 1,650,026	\$ 11,892,686

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

TOWN OF BOXFORD, MASSACHUSETTS

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

JUNE 30, 2014

Total governmental fund balances	\$ 9,802,623
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	56,048,870
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	162,809
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(61,855)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, compensated absences, landfill liability, and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(16,950,355)</u>
Net position of governmental activities	<u><u>\$ 49,002,092</u></u>

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

TOWN OF BOXFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2014

	General <u>Fund</u>	Community Preservation <u>Fund</u>	Library Design <u>Fund</u>	Nason Land <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:						
Taxes	\$ 23,962,460	\$ 567,041	\$ -	\$ -	\$ -	\$ 24,529,501
Excises	1,482,978	-	-	-	-	1,482,978
Interest, penalties, and other taxes	82,679	1,185	-	-	-	83,864
Charges for services	278,721	-	-	-	642,221	920,942
Licenses and permits	279,130	-	-	-	-	279,130
Intergovernmental	3,725,163	382,412	-	-	810,414	4,917,989
Fines and forfeitures	98,027	-	-	-	-	98,027
Investment income	32,010	92,918	-	-	3,974	128,902
Miscellaneous	11,765	9	-	-	134,107	145,881
Total Revenues	29,952,933	1,043,565	-	-	1,590,716	32,587,214
Expenditures:						
Current:						
General government	1,789,414	243,342	-	15,264	36,690	2,084,710
Public safety	2,333,015	-	-	-	459,857	2,792,872
Education	19,652,110	-	-	-	993,895	20,646,005
Public works	1,840,394	-	-	-	496,302	2,336,696
Health and human services	267,840	-	-	-	64,391	332,231
Culture and recreation	416,811	-	365,851	-	28,700	811,362
Insurance and benefits	1,927,599	-	-	-	1,137	1,928,736
Debt service	1,003,787	413,852	-	-	-	1,417,639
Intergovernmental	175,984	-	-	-	-	175,984
Total Expenditures	29,406,954	657,194	365,851	15,264	2,080,972	32,526,235
Excess (deficiency) of revenues over expenditures	545,979	386,371	(365,851)	(15,264)	(490,256)	60,979
Other Financing Sources (Uses):						
Transfers in	5,946	-	-	-	38,000	43,946
Transfers out	(288,000)	-	-	-	(5,946)	(293,946)
Total Other Financing Sources (Uses)	(282,054)	-	-	-	32,054	(250,000)
Change in fund balance	263,925	386,371	(365,851)	(15,264)	(458,202)	(189,021)
Fund Equity, at Beginning of Year	5,003,510	3,063,406	-	-	1,924,728	9,991,644
Fund Equity, at End of Year	\$ 5,267,435	\$ 3,449,777	\$ (365,851)	\$ (15,264)	\$ 1,466,526	\$ 9,802,623

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

TOWN OF BOXFORD, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Net changes in fund balances - total governmental funds \$ (189,021)

- 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:

Capital outlay purchases, net	1,370,605
Depreciation	(1,701,189)

- Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. (29,145)

- 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:

Repayments of debt	1,108,566
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- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 24,094
- 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. 83,027

Change in net position of governmental activities \$ 666,937

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

TOWN OF BOXFORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Taxes	\$ 23,839,798	\$ 23,839,798	\$ 23,839,798	\$ -
Excises	1,116,000	1,116,000	1,482,978	366,978
Interest, penalties, and other taxes	65,000	65,000	82,679	17,679
Charges for services	270,000	270,000	278,721	8,721
Licenses and permits	250,000	250,000	279,130	29,130
Intergovernmental	2,328,668	2,328,668	2,397,534	68,866
Fines and forfeitures	50,000	50,000	98,027	48,027
Investment income	10,000	10,000	10,730	730
Miscellaneous	-	-	11,765	11,765
Transfers in	5,940	5,940	5,946	6
Use of fund balance	962,190	993,689	993,689	-
Total Revenues and Other Sources	28,897,596	28,929,095	29,480,997	551,902
Expenditures and other uses:				
General government	2,067,940	1,796,971	1,752,069	44,902
Public safety	2,282,926	2,377,844	2,341,812	36,032
Education	18,646,844	18,646,844	18,564,471	82,373
Public works	1,594,681	1,717,492	1,857,382	(139,890)
Health and human services	268,137	271,402	266,341	5,061
Culture and recreation	401,348	430,421	416,812	13,609
Insurance and benefits	2,046,563	2,063,964	1,930,929	133,035
Debt service	1,003,788	1,003,788	1,003,787	1
Intergovernmental	172,404	172,404	175,984	(3,580)
Snow/ice deficit raised on recap	159,965	159,965	159,965	-
Transfers out	253,000	288,000	288,000	-
Total Expenditures	28,897,596	28,929,095	28,757,552	171,543
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 723,445	\$ 723,445

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

TOWN OF BOXFORD, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ -	\$ 2,600	\$ 65,155
Investments	648,063	46,872	81,038
User fee receivables	-	-	28,379
Due from general fund	<u>22,282</u>	<u>-</u>	<u>-</u>
Total Assets	670,345	49,472	174,572
<u>LIABILITIES AND NET POSITION</u>			
Deposits held in escrow	-	-	122,144
Student activity funds	-	-	27,543
Other liabilities	<u>-</u>	<u>-</u>	<u>24,885</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>174,572</u>
<u>NET POSITION</u>			
Restricted for:			
Endowment	-	12,706	-
Unrestricted	<u>670,345</u>	<u>36,766</u>	<u>-</u>
Total net position held in trust	<u>\$ 670,345</u>	<u>\$ 49,472</u>	<u>\$ -</u>

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

TOWN OF BOXFORD, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>
Additions:		
Investment income	\$ 94,293	\$ 1,359
Contributions	<u>22,282</u>	<u>16,433</u>
Total additions	116,575	17,792
Other financing sources:		
Transfers in	<u>250,000</u>	<u>-</u>
Total other financing sources	250,000	-
Deductions:		
Education	<u>-</u>	<u>11,201</u>
Total deductions	<u>-</u>	<u>11,201</u>
Net increase	366,575	6,591
Net position:		
Beginning of year	<u>303,770</u>	<u>42,881</u>
End of year	<u><u>\$ 670,345</u></u>	<u><u>\$ 49,472</u></u>

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

TOWN OF BOXFORD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Boxford, 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 2014, 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.

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the 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 *Community Preservation Fund* is used to account for revenues and expenditures related to the levy of a three percent property tax surcharge that is authorized by the Community Preservation Act. This fund was established by the Town for the purpose of acquiring open land for conservation, developing affordable housing, and preserving historical property.

- The *Library Design Fund* is a capital project fund used to account for activity associated with the design of a proposed new library.
- The *Nason Land Fund* is a capital project fund used to account for activity associated with the purchase of undeveloped land.

The Other Post Employment Benefits Trust fund is used to account for the accumulation of resources to fund future health insurance benefits for qualified retirees.

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

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 and fiduciary funds segregate cash, and investment earnings become a part of those funds.

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

E. Investments

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

Investments for the General Fund, Community Preservation Fund and Town Trust Funds consist of bank certificates of deposit, corporate bonds, marketable securities, and U.S. Treasury/Agency securities. Investments for the OPEB Trust Fund are in the custody of the Pension Reserves Investment Management Board (PRIM). PRIM acts as trustee for investments held in the Pension Reserves Investment Trust (PRIT), a pooled investment fund

created by legislation (Chapter 661 of the Acts of 1983). All investments are carried at market value.

F. Property Tax Limitations

Legislation known as “Proposition 2½” limits the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth) unless an override or debt exemption is voted. The actual fiscal year 2014 tax levy reflected an excess capacity of \$923,812.

G. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/due to” other funds.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost that exceeds \$5,000 to \$100,000, depending on the asset’s category, 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.

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	50
Vehicles	6
Office equipment	5
Computer equipment	5

I. Compensated Absences

It is the Town's policy to permit eligible employees to accumulate earned but unused vacation, sick pay, and retirement benefits. All vested sick, vacation, and retirement pay is accrued when incurred in the government-wide 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.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

K. 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 – In general, fund balance represents the difference between 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 classifications 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., cemetery perpetual care).
- 2) *Restricted funds* are used solely for the purpose for 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 Town's highest decision making authority (i.e., Town Meeting).
- 4) *Assigned funds* are used for specific purposes as established by management. These funds, which include year-end budgetary encumbrances, have been assigned for specific goods and services that have been ordered but not yet paid for. This account also includes fund balance 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 its use either through 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.

L. 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. Effective budgetary control

is achieved for all other funds through provisions of the Massachusetts General Laws.

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison 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)	\$ 29,952,933	\$ 29,406,954
Other financing sources/uses (GAAP basis)	<u>5,946</u>	<u>288,000</u>
Subtotal (GAAP Basis)	29,958,879	29,694,954
Adjust tax revenue to accrual basis	(122,663)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(718,976)
Add end of year appropriation carryforwards to expenditures	-	949,237
To record budgeted use of free cash	993,689	-
To reverse the effect of non-budgeted State contributions for teachers' retirement	(1,327,628)	(1,327,628)
To record raising of prior year's snow and ice deficit	-	159,965
Reverse effects of combining general fund and stabilization fund (GASB54)	<u>(21,280)</u>	<u>-</u>
Budgetary basis	<u>\$ 29,480,997</u>	<u>\$ 28,757,552</u>

D. Deficit Fund Equity

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

Library Design project	\$ (365,851)
Nason Land project	(15,264)
<u>Nonmajor Governmental Funds</u>	
Fire Station Tight Tanks project	(164,286)
Highway Chapter 90 grant	(71,125)
SPED Early Childhood grant	(1,407)
Emergency Management Planning grant	(2,030)
Communications Equipment grant	<u>(4,875)</u>
Subtotal	<u>(243,723)</u>
Total	\$ <u><u>(624,838)</u></u>

The deficits in these funds will be eliminated through future general fund appropriations, intergovernmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law, Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's policy is to minimize custodial credit risk by limiting unsecured bank deposits to no more than 5% of an institution's assets and no more than 10% of the Town's total cash.

As of June 30, 2014, none of the Town's bank balance of \$5,592,641 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. Investments are governed by Massachusetts General Laws, Chapter 44, Sections 54 and 55, and by the Town's investment policy, which is in full compliance with these laws. The Town's investment policy allows unlimited investment in United States Treasury and Agency obligations, as these investments carry an Aaa rating. All other investments must be in investment grade securities,

a high concentration of which must be rated A or above. As of June 30, 2014, all of the Town's investments are in compliance with these policies. Presented below is the actual Moody's rating as of June 30, 2014 for each investment type of the Town (in thousands):

<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>A1</u>	<u>A3</u>	<u>Baa1</u>
Certificates of deposit	\$ 3,186	N/A	\$ 3,186	\$ -	\$ -	\$ -	\$ -
U.S. Treasury notes	589	N/A	-	589	-	-	-
Federal agency securities	1,187	N/A	-	1,187	-	-	-
Corporate bonds	389	N/A	-	-	185	25	179
Corporate equities	718	N/A	718	-	-	-	-
Mutual funds	380	N/A	380	-	-	-	-
State investment pool	648	N/A	648	-	-	-	-
Total investments	<u>\$ 7,097</u>		<u>\$ 4,932</u>	<u>\$ 1,776</u>	<u>\$ 185</u>	<u>\$ 25</u>	<u>\$ 179</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 investments. The Town reviews its investment firms' financial statements and the background of sales representatives, which limits exposure to only those institutions with proven financial strength, capital adequacy, and an overall affirmative reputation in the municipal industry. The Town's investment policy also requires that all securities be held in the Town's name and federal tax identification number by a third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. In addition, as of June 30, 2014, all of the Town's investments were held in financial institutions that are members of the Securities Investor Protection Corporation (SIPC).

As of June 30, 2014, none of the Town's investments were subject to custodial credit risk.

C. Concentration of Credit Risk

The Town's investment policy includes a diversification concept that prohibits the over-concentration of investments in a specific instrument-type and issuer by limiting investments (other than U.S. Treasury and U.S. Agency obligations or investments fully collateralized by U.S. Treasuries or U.S. Agencies) to no more than 5% of an institution's assets and no more than 10% of the Town's cash.

As of June 30, 2014, the Town had no investments in any one issuer that exceeded these limits.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy includes a diversification concept that prohibits the over-concentration of investment maturities; however, the Town places no limit on the length of maturity from date of purchase for Community Preservation, Stabilization, and Trust funds that are invested in U.S. Treasuries or U.S. Agency obligations that may be sold prior to maturity. As of June 30, 2014, the Town's investments are in compliance with these policies.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Certificates of deposit	\$ 3,186	\$ 2,628	\$ 558
U.S. Treasury notes	589	-	589
Federal agency securities	1,187	-	1,187
Corporate bonds	<u>389</u>	<u>25</u>	<u>364</u>
Total	<u>\$ 5,351</u>	<u>\$ 2,653</u>	<u>\$ 2,698</u>

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors 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.

The Town typically issues demand bills to delinquent taxpayers within one week of the original bill due date. Fourteen days after the demand notice has been sent the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2014 consist of the following:

Real estate	\$ 200,586
Personal property	1,012
Community preservation	<u>3,667</u>
Total	<u>\$ 205,265</u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Excises	\$ 12,033

7. Interfund Fund Receivables/Payables

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

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 22,282
Other Post Employment Benefits Trust Fund	22,282	-
Total	<u>\$ 22,282</u>	<u>\$ 22,282</u>

8. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 272	\$ 117	\$ -	\$ 389
Buildings and building improvements	20,320	888		21,208
Machinery, equipment, and vehicles	3,844	648	(131)	4,361
Infrastructure	32,473	942	-	33,415
Total capital assets, being depreciated	56,909	2,595	(131)	59,373
Less accumulated depreciation for:				
Land improvements	(120)	(19)	-	(139)
Buildings and building improvements	(7,807)	(554)	-	(8,361)
Machinery, equipment, and vehicles	(2,345)	(258)	99	(2,504)
Infrastructure	(11,667)	(870)	-	(12,537)
Total accumulated depreciation	(21,939)	(1,701)	99	(23,541)
Total capital assets, being depreciated, net	34,970	894	(32)	35,832
Capital assets, not being depreciated:				
Land	19,636	-	-	19,636
Construction in progress	1,774	366	(1,559)	581
Total capital assets, not being depreciated	21,410	366	(1,559)	20,217
Governmental activities capital assets, net	<u>\$ 56,380</u>	<u>\$ 1,260</u>	<u>\$ (1,591)</u>	<u>\$ 56,049</u>

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

Governmental Activities:	
General government	\$ 189
Public safety	208
Education	293
Public works	975
Human services	2
Culture and recreation	<u>34</u>
Total depreciation expense - governmental activities	\$ <u><u>1,701</u></u>

9. Warrants Payable

Warrants payable represent 2014 expenditures paid by July 15, 2014 as permitted by law.

10. Accrued Liabilities

Governmental activities: This balance represents the amount accrued in the current period for interest on the Town's outstanding general obligation bonds, as well as accrued employee payroll.

Governmental funds: This balance represents accrued employee payroll.

11. Tax Refunds Payable

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

12. Notes Payable

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

	Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>6/30/14</u>
Library Design	1.25%	10/04/13	10/03/14	\$ 395,000
Nason Land Acquisition	1.25%	10/04/13	10/03/14	448,650
Fire Station Drains	1.25%	10/04/13	10/03/14	<u>183,500</u>
Total				\$ <u><u>1,027,150</u></u>

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

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Library Design	\$ -	\$ 395,000	\$ -	\$ 395,000
Nason Land Acquisition	-	448,650	-	448,650
Fire Station Drains	-	183,500	-	183,500
Total	<u>\$ -</u>	<u>\$ 1,027,150</u>	<u>\$ -</u>	<u>\$ 1,027,150</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 currently outstanding are as follows:

	Amount of Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/14
<u>Governmental Activities:</u>				
<u>Bonds payable - Inside the Debt Limit</u>				
Lockwood/Lord/Haynes land - refunding	\$ 943,000	06/15/17	2.21%	\$ 310,000
Fire truck refunding	60,000	08/15/17	0.91%	60,000
Police station refunding	1,367,000	08/15/20	1.18%	1,042,000
Town Hall construction refunding	1,955,000	08/15/22	1.36%	1,955,000
Sawyer/Richardson land refunding	1,393,000	08/15/22	1.38%	1,393,000
Spofford Pond Road drainage refunding	85,000	08/15/22	1.35%	85,000
Anvil Farm land acquisition	850,000	06/15/26	3.90%	550,000
Haynes land acquisition	1,900,000	06/15/27	3.94%	1,300,000
Lincoln Hall building renovations	675,000	06/15/27	3.93%	455,000
School remodeling	355,000	09/15/27	1.60%	330,000
Land acquisition	190,000	09/15/27	1.55%	175,000
Fire truck	430,000	09/15/27	1.70%	405,000
Dump truck	205,000	09/15/22	1.24%	180,000
<u>Bonds payable - Outside the Debt Limit</u>				
School construction - refunding	310,500	06/15/16	2.12%	95,000
Landfill closure - refunding	456,500	06/15/17	2.24%	160,000
Title V MWPAT - Loan 1	200,000	08/01/18	0.00%	54,340
Title V MWPAT - Loan 2	48,524	02/01/21	0.00%	18,909
Water treatment plant	400,000	09/15/27	1.70%	380,000
Total Governmental Activities:	<u>\$ 11,823,524</u>			<u>\$ 8,948,249</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,108,562	\$ 260,156	\$ 1,368,718
2016	1,088,561	228,781	1,317,342
2017	1,008,562	196,319	1,204,881
2018	858,561	164,569	1,023,130
2019	838,562	137,469	976,031
2020 - 2024	3,150,441	353,444	3,503,885
2025- 2029	<u>895,000</u>	<u>56,856</u>	<u>951,856</u>
Total	<u>\$ 8,948,249</u>	<u>\$ 1,397,594</u>	<u>\$ 10,345,843</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2014:

General fund	\$ 5,800,249
Community preservation fund	<u>3,148,000</u>
Total	<u>\$ 8,948,249</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance <u>7/1/13</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/14</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/14</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 10,057	\$ -	\$ (1,109)	\$ 8,948	\$ (1,109)	\$ 7,839
Other:						
Compensated absences	414	44	(69)	389	(39)	350
Landfill postclosure	1,104	-	(43)	1,061	(45)	1,016
OPEB	<u>6,567</u>	<u>672</u>	<u>(687)</u>	<u>6,552</u>	<u>-</u>	<u>6,552</u>
Totals	<u>\$ 18,142</u>	<u>\$ 716</u>	<u>\$ (1,908)</u>	<u>\$ 16,950</u>	<u>\$ (1,193)</u>	<u>\$ 15,757</u>

14. Landfill Postclosure Care Costs

The Town's landfill was closed and capped in the spring of 2001. State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the site of its capped landfill for thirty years

after closure. These *postclosure care* costs are reported as a long-term liability in the government-wide financial statements, and a portion of the liability is expensed each year. The amount of the postclosure care liability and the portion of costs expensed each year are based on estimates provided by management. In 1999, the Town issued \$1,050,000 in general obligation bonds to fund estimated closure and monitoring costs.

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, 2014:

	<u>Entity-wide Basis</u>	<u>Governmental Funds</u>	
	Governmental <u>Activities</u>	General <u>Fund</u>	Community Preservation <u>Fund</u>
Unapportioned septic betterments	\$ 36,067	\$ -	\$ -
Committed taxes	-	172,762	2,081
Taxes paid in advance of commitment	<u>33,998</u>	<u>32,239</u>	<u>1,758</u>
Total	\$ <u><u>70,065</u></u>	\$ <u><u>205,001</u></u>	\$ <u><u>3,839</u></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 as of June 30, 2014:

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 includes nonmajor governmental fund reserves for the principal portion of permanent funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes Community Preservation funds, various special revenue and expendable trust funds, capital projects funded by borrowing and state grants, and the income portion of permanent funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest decision making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting and capital project and expendable trust funds funded by general fund appropriations.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, the remaining balance of premiums received on the issuance of excluded debt, and general fund surplus fund balance that has been appropriated as a funding source for the subsequent fiscal period.

Unassigned – Represents amounts that are available to spend in future periods. This fund balance classification includes general fund surplus fund balance and various special revenue and capital project temporary deficit fund balances.

Following is a breakdown of the Town's fund balance as of June 30, 2014:

	General Fund	Community Preservation Fund	Library Design Fund	Nason Land Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 5,082	\$ 5,082
Total Nonspendable	-	-	-	-	5,082	5,082
Restricted						
Community preservation funds	-	3,449,777	-	-	-	3,449,777
Special revenue funds:						
School revolving funds	-	-	-	-	582,349	582,349
Town revolving funds	-	-	-	-	128,666	128,666
Federal grants	-	-	-	-	29,021	29,021
State grants	-	-	-	-	58,000	58,000
Nason land gifts	-	-	-	-	501,430	501,430
Other gifts	-	-	-	-	58,657	58,657
Expendable trust funds	-	-	-	-	62,551	62,551
Capital projects funded by borrowing	-	-	-	-	192,221	192,221
Expendable permanent funds	-	-	-	-	8,509	8,509
Total Restricted	-	3,449,777	-	-	1,621,404	5,071,181
Committed						
Expendable trust funds	-	-	-	-	66,679	66,679
Capital projects funded by appropriation	-	-	-	-	17,084	17,084
Article carryforwards	580,883	-	-	-	-	580,883
Total Committed	580,883	-	-	-	83,763	664,646
Assigned						
Encumbrances	368,354	-	-	-	-	368,354
Designated fund balance	35,500	-	-	-	-	35,500
Appropriated fund balance	751,472	-	-	-	-	751,472
Total Assigned	1,155,326	-	-	-	-	1,155,326
Unassigned						
General fund	2,753,244	-	-	-	-	2,753,244
Stabilization fund	777,982	-	-	-	-	777,982
Special revenue fund deficits	-	-	-	-	(8,312)	(8,312)
Capital project fund deficits	-	-	(365,851)	(15,264)	(235,411)	(616,526)
Total Unassigned	3,531,226	-	(365,851)	(15,264)	(243,723)	2,906,388
Total Fund Balances	\$ 5,267,435	\$ 3,449,777	\$ (365,851)	\$ (15,264)	\$ 1,466,526	\$ 9,802,623

18. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to over-expend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the "snow and ice" appropriation. All such overexpenditures, however, must be funded in the subsequent year's tax rate.

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 3,531,226
Snow and ice deficit	159,965
Appellate tax board cases	242,556
Stabilization fund	<u>(777,982)</u>
Statutory (UMAS) Balance	<u>\$ 3,155,765</u>

19. **Subsequent Events**

Debt

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

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 615,000	0.45%	10/03/14	10/02/15

20. **Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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

21. **Pension Plan**

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions by State and Local Governmental Employers*, with respect to the employees' retirement funds.

A. Plan Description

The Town contributes to the Essex Regional Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by the Essex Regional Retirement Board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Essex Regional Retirement Board at 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$860,567, \$785,596, and \$752,054, respectively, which were equal to its annual required contributions for each of these years. The payroll for employees covered by the System for the year ended June 30, 2014 was not available.

C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$30,000, as follows:

Before January 1, 1975	5%	
January 1, 1975 - December 31, 1983	7%	*
January 1, 1984 - June 30, 1996	8%	*
July 1, 1996 - June 30, 2001	9%	*
Beginning July 1, 2001	11%	

*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$30,000.

The Town's current year covered payroll for teachers and administrators was not available.

In fiscal year 2014, the Commonwealth of Massachusetts contributed \$1,327,628 to the MTRS on behalf of the Town. This is included in the intergovernmental revenues and education expenditures in the general fund.

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

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment 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 them. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described in Note 21, the Town provides post-employment medical and prescription drug benefits for eligible retirees. The benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2013, the actuarial valuation date, approximately 191 active and 101 retirees/disabled employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides comprehensive medical insurance to all eligible retirees through a variety of plans from Blue Cross Blue Shield of Massachusetts. All active employees who retire from the Town and meet the eligibility criteria are eligible to receive these benefits.

C. Funding Policy

Retirees contribute between 21% and 50% for Individual and Family medical plans, depending on the chosen coverage level and plan. The Town contributes the remainder of all retiree health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal year 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years.

The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2013.

Annual Required Contribution (ARC)	\$ 1,271,447
Interest on net OPEB obligation	262,686
Adjustment to ARC	(365,172)
Amortization of actuarial (gains) / losses	<u>(496,977)</u>
Annual OPEB cost	671,984
Expected employer contributions	(416,723)
Contribution to trust fund over 30 years	<u>(270,563)</u>
Increase (decrease) in net OPEB obligation	(15,302)
Net OPEB obligation - beginning of year	<u>6,567,154</u>
Net OPEB obligation - end of year	<u><u>\$ 6,551,852</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2014 fiscal year and the two preceding years 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>
2012	\$ 1,546,937	30.65%	\$ 5,412,545
2013	\$ 1,660,693	30.47%	\$ 6,567,154
2014	\$ 671,984	102.28%	\$ 6,551,852

The Town's net OPEB obligation as of June 30, 2014 is recorded as a noncurrent liability in the Statement of Net Position.

E. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 10,909,192
Actuarial value of plan assets	<u>283,207</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 10,625,985</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>2.6%</u>
Covered payroll (active plan members)	<u>\$ 9,961,028</u>
UAAL as a percentage of covered payroll	<u>106.7%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the employer's annual required contributions 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 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 substantive plan (the plan as understood by the Town and 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial value of assets is equal to the market value of the plan's assets. The actuarial assumptions included a 4.0% investment rate of return and an FY 2013 healthcare trend rate of 6.0% graded down to 5.0% through FY 2015. It was assumed that 80% of employees eligible to receive retirement benefits would enroll in the retiree medical plans upon retirement. The UAAL is amortized at 4.5% per year over a period of thirty years at transition, with annual compensation increases of 3.0% and a general inflation assumption of 2.5% per annum.

As of July 1, 2013, the most recent actuarial valuation date, the Town's remaining amortization period was 24 years.

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.

24. Implementation of New GASB Standards

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which the Town is required to implement in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by requiring the Town to recognize, as a liability and expense, its applicable portion of the Essex Regional Retirement System's (System) actuarially accrued, unfunded pension liability.

As of July 1, 2013, the System's most recent actuarial valuation date, the System's unfunded actuarially accrued liability (UAAL) was \$304,773,155.

**TOWN OF BOXFORD, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014**

(Unaudited)
(Amounts Expressed in thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/09	\$ -	\$ 15,839	\$ 15,839	0%	N/A	N/A
07/01/11	\$ -	\$ 16,318	\$ 16,318	0%	\$ 34,392	47%
07/01/13	\$ 283	\$ 10,909	\$ 10,626	3%	\$ 9,961	107%

**ESSEX REGIONAL RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)**

**Employees' Retirement System
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/08	\$ 301,421	\$ 445,172	\$ 143,751	68%	\$ 111,727	129%
01/01/11	\$ 278,332	\$ 536,116	\$ 257,784	52%	\$ 119,707	215%
01/01/13	\$ 314,566	\$ 619,339	\$ 304,773	51%	\$ 119,292	255%

**Employees' Retirement System
Schedule of Employer Contributions**

Plan Year Ended	System Wide				Town of Boxford	
	Annual Required Contributions	Annual Required Contributions If paid by 7/1	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of Actual Contributions
12/31/11	\$ 21,084	\$ 20,671	\$ 20,732	98%	\$ 752	4%
12/31/12	\$ 22,771	\$ 22,324	\$ 22,364	98%	\$ 785	4%
12/31/13	\$ 24,593	\$ 24,110	\$ 24,115	98%	\$ 861	4%

See Independent Auditors' Report.