

TOWN OF LITTLETON, MASSACHUSETTS

Financial Statements

June 30, 2015

and Electric Light Enterprise Fund as of December 31, 2014

(With Accountants' Report Thereon)

Giusti, Hingston and Company
Certified Public Accountants

36 Jackman St., Unit 1 * Georgetown, MA 01833 * (Tel) 978-352-7470

Town of Littleton, Massachusetts
FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
and Electric Light Enterprise Fund as of December 31, 2014

Table of Contents

Page

Independent Auditors' Report	1,2
-------------------------------------	-----

Management's Discussion and Analysis (Required Supplementary Information)	3-9
----------------------------------------------------------------------------------	-----

Basic Financial Statements

Government-wide Financial Statements

• Statement of Net Position	10
• Statement of Activities	11

Fund Financial Statements

• Balance Sheet - Governmental Funds	12
• Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	13
• Reconciliation of the Governmental Funds Balance Sheet - Total Fund Balances to the Statement of Net Position	14
• Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
• Statement of Net Position - Proprietary Funds	16
• Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	17
• Statement of Cash Flows - Proprietary Fund	18
• Statement of Net Position – Fiduciary Funds	19
• Statement of Changes in Net Position – Fiduciary Funds	20

Notes to the Financial Statements	21-57
------------------------------------------	-------

Required Supplementary Information

• Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Basis) - General Fund	59
• Schedule of the Town of Littleton, Massachusetts Proportionate Share of the Net Pension Liability – Middlesex County Retirement System	60
• Schedule of the Town of Littleton, Massachusetts Contributions - Middlesex County Retirement System	61
• Schedule of the Town of Littleton, Massachusetts' Proportionate Share of the Collective Net Pension Liability – Massachusetts Teachers' Retirement System	62

Town of Littleton, Massachusetts
FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
and Electric Light Enterprise Fund as of December 31, 2014

Table of Contents

Page

- Schedule of Funding Progress and Employer's Contributions – Other Post Employment Benefits 63
- Valuation Details – Other Post Employment Benefits 64
- Notes to the Required Supplementary Information 65-68

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 69,70

INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS - TOWN OF
LITTLETON, MASSACHUSETTS

Board of Selectmen
Town of Littleton
37 Shattuck Street
P.O. Box 1305
Littleton, MA 01460

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 Littleton, Massachusetts as of and for the year ended June 30, 2015 (the Electric Light Enterprise as of December 31, 2014 and for the year then ended), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Littleton, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Electric Light Department and Water Fund were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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 Littleton, Massachusetts as of June 30, 2015 (the Electric Light Enterprise Fund as of December 31, 2014) and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity 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, the budgetary statement, the retirement system schedules and the other post employment benefit schedules listed in the table of contents 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 sufficient evidence 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 March 10, 2016, on our consideration of the Town of Littleton, Massachusetts' 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 Town of Littleton, Massachusetts' internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 10, 2016

Town of Littleton, Massachusetts
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2015

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

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$94,539,026 (*net position*). Of this amount, \$4,917,958 is considered unrestricted (unrestricted net position). The unrestricted net position of the Town's governmental activities is a negative \$12,644,607. The negative unrestricted net position is primarily due to reporting the Town's net pension liability and its other post employment benefits liability. A *positive* amount in the unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position of the Town's business-type activities is \$17,562,565 and may be used to meet the ongoing obligations of the Town's Water and Light business-type activities.
- The government's total net position increased by \$5,783,042 (not including prior period adjustments) or 5.79% in fiscal year 2015. The Governmental Activities increased by \$2,800,533 or 6.88% and the Business Type Activities increased by \$2,982,849 or 4.96%.
- The total cost of all Town services for fiscal year 2015 was \$79,456,703, of which \$43,834,894 was for governmental services, and \$35,621,809 of which was for business-type activities.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,059,020, or 28.6% of total general fund expenditures.
- The Town's water enterprise fund issued long term debt (\$4,486,000) during fiscal year 2015. Principal payments were made during the year on previously issued enterprise and general long term debt. As a result, the Town of Littleton, Massachusetts' total long-term debt increased by \$1,684,584 or 6.17%.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction of the Town of Littleton, Massachusetts' basic financial statements. The Town of Littleton, Massachusetts' basic financial statements consist of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Littleton, Massachusetts' finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the Town of Littleton, Massachusetts' assets and liabilities, with the differences 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 of the Town of Littleton, Massachusetts is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise of 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 government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, state and other local revenues finance these activities.
- **Business-type Activities** - Activities reported here are for water supply distribution and electric light operations. User fees charged to the customers receiving services finance these 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. The Town of Littleton, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Littleton, Massachusetts 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* 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*.

Proprietary funds. The Town of Littleton, Massachusetts maintains two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Littleton, Massachusetts uses enterprise funds to account for its water operations, park and recreation activities and electric light distribution.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the enterprise funds. The water and light operations are considered major funds of the Town of Littleton, Massachusetts.

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. The Town maintains fiduciary funds to account for activities related to charitable trust funds and for its Other Post Employment Benefits (OPEB) Trust fund. The OPEB trust fund is used to accumulate resources to provide funding for future OPEB liabilities.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire 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 *required supplementary information* concerning the Town of Littleton, Massachusetts' progress in funding its obligation to provide pension and OPEB benefits to its employees. The *required supplementary information* also includes budget versus actual information.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the statement of net position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

A reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

Financial Analysis of the Government-wide Financial Statements

Net Position

Net position may serve over time as a useful indicator of a government's financial position. However, the net position of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are generally not used to finance costs related to business-type activities.

The following table reflects the condensed net position. Prior year amounts have been adjusted to reflect prior period adjustments.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Current and Noncurrent Assets	\$ 26,488,968	\$ 29,104,223	\$ 21,078,101	\$ 23,863,744	\$ 47,567,069	\$ 52,967,967
Capital Assets	73,939,523	73,041,717	32,034,532	32,122,002	105,974,055	105,163,719
Total Assets	<u>100,428,491</u>	<u>102,145,940</u>	<u>53,112,633</u>	<u>55,985,746</u>	<u>153,541,124</u>	<u>158,131,686</u>
Deferred Outflows of Resources	-	39,955	-	4,522	-	44,477

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Current Liabilities	6,121,516	5,991,282	7,065,345	3,063,863	13,186,861	9,055,145
Long Term Liabilities	47,393,879	46,507,698	4,022,983	7,919,611	51,416,862	54,427,309
Total Liabilities	<u>53,515,395</u>	<u>52,498,980</u>	<u>11,088,328</u>	<u>10,983,474</u>	<u>64,603,723</u>	<u>63,482,454</u>
Deferred Inflows of Resources	<u>181,417</u>	<u>154,683</u>	<u>-</u>	<u>-</u>	<u>181,417</u>	<u>154,683</u>
Net Position:						
Net Investment in Capital Assets	50,385,932	52,035,393	25,865,569	26,054,444	76,251,501	78,089,837
Restricted	10,291,336	10,141,446	1,038,686	1,389,785	11,330,022	11,531,231
Unrestricted	(13,945,589)	(12,644,607)	15,120,050	17,562,565	1,174,461	4,917,958
Total Net Position	<u>\$ 46,731,679</u>	<u>\$ 49,532,232</u>	<u>\$ 42,024,305</u>	<u>\$ 45,006,794</u>	<u>\$ 88,755,984</u>	<u>\$ 94,539,026</u>

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net position has changed during the fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 3,971,082	\$ 3,941,156	\$ 31,592,046	\$ 37,801,816	\$ 35,563,128	\$ 41,742,972
Operating Grants and Contributions	10,321,449	9,089,830	528,414	534,895	10,849,863	9,624,725
General Revenues:						
Property Taxes	29,557,541	30,701,563	-	-	29,557,541	30,701,563
Motor Vehicle and Other Excises	1,328,933	1,357,550	-	-	1,328,933	1,357,550
Intergovernmental Not Restricted to a Specific Program	667,647	717,568	-	-	667,647	717,568
Other	1,048,570	1,095,367	-	-	1,048,570	1,095,367
Total Revenues	<u>46,895,222</u>	<u>46,903,034</u>	<u>32,120,460</u>	<u>38,336,711</u>	<u>79,015,682</u>	<u>85,239,745</u>
Expenses						
General Government	3,608,457	3,357,089	-	-	3,608,457	3,357,089
Public Safety	3,741,045	3,953,466	-	-	3,741,045	3,953,466
Education	26,044,317	25,020,450	-	-	26,044,317	25,020,450
Highways and Public Works	4,018,704	2,838,607	-	-	4,018,704	2,838,607
Human Services	255,121	490,895	-	-	255,121	490,895
Culture and Recreation	1,400,448	567,870	-	-	1,400,448	567,870
Employee Benefits	7,347,961	6,866,287	-	-	7,347,961	6,866,287
Debt Service	856,188	740,230	-	-	856,188	740,230
Electric	-	-	30,191,689	31,911,819	30,191,689	31,911,819
Water	-	-	2,538,722	2,810,370	2,538,722	2,810,370
Park and Recreation	-	-	-	899,620	-	899,620
Total Expenses	<u>47,272,241</u>	<u>43,834,894</u>	<u>32,730,411</u>	<u>35,621,809</u>	<u>80,002,652</u>	<u>79,456,703</u>
Increase (Decrease) in Net Position						
Before transfers:	(377,019)	3,068,140	(609,951)	2,714,902	(986,970)	5,783,042
Transfer of Capital Assets	-	21,000	-	(21,000)	-	-
Transfer In (Out)	<u>-</u>	<u>(288,587)</u>	<u>-</u>	<u>288,587</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ (377,019)</u>	<u>\$ 2,800,553</u>	<u>\$ (609,951)</u>	<u>\$ 2,982,489</u>	<u>\$ (986,970)</u>	<u>\$ 5,783,042</u>

Governmental Activities

In fiscal year 2015, property taxes accounted for approximately 65% of the revenues of the governmental activities. In fiscal year 2014, they accounted for 63% of the revenues.

Business-type Activities

Electric Light and water rates are structured to cover all costs related to each activity.

Financial Analysis of the Town's Funds

Governmental Funds

The focus of the Town of Littleton, Massachusetts' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Littleton, Massachusetts' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town of Littleton, Massachusetts itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town of Littleton, Massachusetts' Selectmen.

General Fund – The year-end fund balances of the general fund were \$2,166,904 more than the prior year's fund balances.

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts Department of Revenue (DOR) determines the amount of general fund – fund balance available for appropriation. In general, this amount (commonly known as “free cash”) is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The following table reflects the trend in all the components of fund balance in the general fund and details the certified free cash for the previous ten fiscal years.

<u>Fiscal Year</u>	<u>Reserved for Encumbrances</u>	<u>Reserved for Petty Cash</u>	<u>Reserved for Debt Service</u>	<u>Designated for Deficits</u>	<u>Designated for Subsequent Year's Expenditure</u>	<u>Unreserved</u>	<u>Total Fund Balance</u>
2004	\$ 387,173	\$ 2,550	\$ -	\$ (634,215)	\$ -	\$ 833,152	\$ 588,660
2005	152,201	2,550	-	(188,948)	1,856	737,598	705,257
2006	81,980	2,550	23,844	(113,315)	176,995	1,500,811	1,672,865
2007	694,091	2,550	23,844	(80,176)	761,693	1,616,394	3,018,396
2008	467,191	2,550	23,844	(323,056)	713,976	1,827,752	2,712,257
2009	824,691	2,550	23,844	(254,373)	421,034	2,053,147	3,070,893
2010	1,108,195	2,550	472,082	-	324,120	2,935,183	4,842,130

GASB 54 was implemented in fiscal year 2011. As a result the account titles of the components of fund balance changed as follows:

<u>Fiscal Year</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
2011	\$ 572,293	\$ 847,524	\$ 1,336,009	\$ 5,144,274	\$ 7,900,100
2012	559,534	1,689,947	1,225,196	7,133,654	10,608,331
2013	493,364	1,249,564	1,122,875	7,890,974	10,756,777
2014	407,632	1,890,100	1,065,633	9,182,560	12,545,925
2015	349,512	2,416,399	887,898	11,059,020	14,712,829

Fiscal Year Free Cash

2006	\$ 1,007,450
2007	1,061,237
2008	1,128,432
2009	1,517,927
2010	1,900,000
2011	2,818,208
2012	4,201,775
2013	4,829,012
2014	5,811,902
2015	7,799,975

Proprietary Funds

Water, Park and Recreation and Light Enterprise Funds. The Town of Littleton, Massachusetts' proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

The differences between the original budget and the final amended budget were due primarily to a special town meeting votes and reserve fund transfers made during the year. Revenues exceeded budgeted amounts in almost all significant categories during the year.

Capital Asset and Debt Administration

Capital assets. The Town of Littleton, Massachusetts' investments in capital assets for its governmental and business type activities as of June 30, 2015 (December 31, 2014 for the Electric Light Department), amount to \$105,163,179 net of accumulated depreciation). This investment in capital assets includes land, building, improvements, infrastructure, equipment and vehicles.

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

- ▶ Nashoba Road Reconstruction (\$1,317,045)
- ▶ King Street Recreation Facilities (\$230,769)
- ▶ Underground Conductors and Devices (\$363,004)
- ▶ Line Transformers (\$373,127)
- ▶ Water Treatment Facilities (\$270,840)
- ▶ Vehicles (\$226,548)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Land	\$11,631,908	\$11,664,885	\$ 2,035,423	\$ 2,035,423	\$ 13,667,331	\$ 13,700,308
Work in Process	77,355	320,661	276,986	4,391	354,341	325,052
Buildings	50,228,164	48,138,392	-	-	50,228,164	48,138,392
Improvements Other Than Buildings	664,448	627,186	-	-	664,448	627,186
Other Depreciable Assets	-	-	29,722,123	30,082,188	29,722,123	30,082,188
Infrastructure	9,080,240	10,031,950	-	-	9,080,240	10,031,950
Equipment	681,355	782,134	-	-	681,355	782,134
Vehicles	1,576,053	1,476,509	-	-	1,576,053	1,476,509
Total	<u>\$73,939,523</u>	<u>\$73,041,717</u>	<u>\$ 32,034,532</u>	<u>\$ 32,122,002</u>	<u>\$ 105,974,055</u>	<u>\$ 105,163,719</u>

Debt

The Town had \$28,997,377 in bonds, outstanding on June 30, 2015. This represents a \$1,684,584 increase from the prior fiscal year.

The Town's bond rating by Standard and Poor is AAA.

	Prior	Current
Governmental Activities	Fiscal Year	Fiscal Year
General Obligation Bonds Payable	\$ 25,480,254	\$ 22,963,284
Business-type Activities		
Water	1,165,206	5,503,693
Electric Light	667,333	530,400
Total Debt	<u>\$ 27,312,793</u>	<u>\$ 28,997,377</u>

Fiscal Year 2016 Budget

An initiative state statute, commonly known as “Proposition 2 ½”, limits the amount of property taxes that Towns can assess in any one year. In general, the Town’s property tax levy may increase by 2 ½ percent over the prior year’s tax levy, plus any additional amount derived by new developments or other changes made to existing property. If the community wishes to levy taxes above the limitations imposed by “Proposition 2 ½”, it is necessary to obtain the approval of a majority of the voters at an election.

The Town utilized \$957,976 of its general fund unreserved fund balance to help fund the fiscal year 2016 operating budget.

Request for Information

This financial report is designed to provide a general overview of the Town of Littleton, Massachusetts’ 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:

Town of Littleton
Assistant Town Administrator
37 Shattuck Street
P.O. Box 1305
Littleton, MA 01460

Town of Littleton, Massachusetts
Statement of Net Position
June 30, 2015
(Except for the Electric Activity, Which is for Year Ended December 31, 2014)

	Governmental Activities	Business - Type Activities	Government- Wide Total
Assets			
Current:			
Cash and Investments	\$ 26,859,467	\$ 5,315,104	\$ 32,174,571
Petty Cash	2,550	-	2,550
Accounts Receivable:			
Property Taxes	416,364	-	416,364
Tax Liens	462,264	-	462,264
Excises	143,508	-	143,508
User Charges	64,010	4,527,679	4,591,689
Accrued Unbilled Revenues	-	285,620	285,620
Merchandising and Jobbing	-	151,730	151,730
Special Assessments	1,594	-	1,594
Intergovernmental	227,279	39,203	266,482
Inventory	-	956,984	956,984
Prepaid Expenses	-	574,088	574,088
Noncurrent:			
Restricted Cash	-	2,037,156	2,037,156
Restricted Investments	-	9,976,180	9,976,180
Accounts Receivable:			
Intergovernmental	831,452	-	831,452
Special Assessments - Not Yet Due	95,735	-	95,735
Capital Assets:			
Assets Not Being Depreciated	11,985,546	2,039,814	14,025,360
Assets Being Depreciated, Net	61,056,171	30,082,188	91,138,359
Total Assets	<u>102,145,940</u>	<u>55,985,746</u>	<u>158,131,686</u>
Deferred Outflows of Resources			
Pensions	39,955	4,522	44,477
Total Deferred Outflows of Resources	<u>39,955</u>	<u>4,522</u>	<u>44,477</u>
Liabilities			
Current:			
Warrants Payable	784,459	26,177	810,636
Accrued Salaries Payable	1,485,125	92,438	1,577,563
Accounts Payable	-	35,190	35,190
Guarantee Deposits	689,240	-	689,240
Unclaimed Checks	12,068	-	12,068
Other Liabilities	-	2,219,694	2,219,694
Accrued Interest Payable	245,880	62,982	308,862
Compensated absences	114,912	75,167	190,079
Capital Lease Payable	7,455	15,776	23,231
Bond Anticipation Notes Payable	258,775	-	258,775
Bonds Payable	2,393,368	536,439	2,929,807
Noncurrent:			
Compensated Absences	172,369	307,021	479,390
Capital Lease Payable	-	17,689	17,689
Net Pension Liability	11,834,339	1,336,213	13,170,552
Other Post Employment Benefits Payable	13,931,074	761,034	14,692,108
Bonds Payable	20,569,916	5,497,654	26,067,570
Total Liabilities	<u>52,498,980</u>	<u>10,983,474</u>	<u>63,482,454</u>
Deferred Inflows of Resources			
Debt Refunding	154,683	-	154,683
Total Deferred Inflows of Resources	<u>154,683</u>	<u>-</u>	<u>154,683</u>
Net Position			
Net Investment in Capital Assets	52,035,393	26,054,444	78,089,837
Restricted for:			
Community Preservation	703,851	-	703,851
After School Programs	614,790	-	614,790
Gifts, Grants and Other Statutory Restrictions	4,949,415	-	4,949,415
Debt Service	349,512	-	349,512
Perpetual Funds:			
Expendable	2,013,315	-	2,013,315
Nonexpendable	1,510,563	-	1,510,563
Other Post Employment Benefits	-	1,389,785	1,389,785
Unrestricted	(12,644,607)	17,562,565	4,917,958
Total Net Position	<u>\$ 49,532,232</u>	<u>\$ 45,006,794</u>	<u>\$ 94,539,026</u>

The Notes to the Financial Statements
are an Integral part of this Exhibit.

Town of Littleton, Massachusetts
Statement of Activities
Fiscal Year Ended June 30, 2015
(Except for the Electric Activity, Which is for Year Ended December 31, 2014)

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
Functions/Programs	Expenses	Charges for	Operating	Capital	Governmental	Business-Type	Total
		Services	Grants and Contributions	Grants and Contributions			
Primary Government:							
<i>Governmental Activities:</i>							
General Government	\$ 3,357,089	\$ 871,049	\$ 326,269	\$ -	\$ (2,159,771)	\$ -	\$ (2,159,771)
Public Safety	3,953,466	1,192,624	208,898	-	(2,551,944)	-	(2,551,944)
Education	25,020,450	1,275,690	7,752,450	-	(15,992,310)	-	(15,992,310)
Highways and Public Works	2,838,607	503,424	626,305	-	(1,708,878)	-	(1,708,878)
Human Services	490,895	87,837	108,905	-	(294,153)	-	(294,153)
Culture and Recreation	567,870	10,532	67,003	-	(490,335)	-	(490,335)
Employee Benefits	6,866,287	-	-	-	(6,866,287)	-	(6,866,287)
Debt Service	740,230	-	-	-	(740,230)	-	(740,230)
Total Governmental Activities	43,834,894	3,941,156	9,089,830	-	(30,803,908)	-	(30,803,908)
<i>Business-Type Activities:</i>							
Electric	31,911,819	34,252,915	193,269	-	-	2,534,365	2,534,365
Water	2,810,370	2,756,909	341,626	-	-	288,165	288,165
Park and Recreation	899,620	791,992	-	-	-	(107,628)	(107,628)
Total Business-Type Activities	35,621,809	37,801,816	534,895	-	-	2,714,902	2,714,902
Total Primary Government	\$ 79,456,703	\$ 41,742,972	\$ 9,624,725	\$ -	(30,803,908)	2,714,902	(28,089,006)
<i>General Revenues:</i>							
Property Taxes					30,701,563	-	30,701,563
Motor Vehicle and Other Excise Taxes					1,357,550	-	1,357,550
Penalties and Interest on Taxes					86,747	-	86,747
Other Taxes, Assessments and in Lieu Payments					875,381	-	875,381
Intergovernmental					717,568	-	717,568
Interest and Investment Income					115,773	-	115,773
Other Revenue					17,466	-	17,466
Transfer of Capital Assets					21,000	(21,000)	-
Transfer In (Out)					(288,587)	288,587	-
Total General Revenues, Special Items and Transfers					33,604,461	267,587	33,872,048
Change in Net Position					2,800,553	2,982,489	5,783,042
Net Position:							
Beginning of the Year					56,434,827	43,372,703	99,807,530
Prior Period Adjustments					(9,703,148)	(1,348,398)	(11,051,546)
Adjusted Beginning of the Year					46,731,679	42,024,305	88,755,984
End of the Year					\$ 49,532,232	\$ 45,006,794	\$ 94,539,026

Town of Littleton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2015

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets:			
Cash and Investments	\$ 17,133,289	\$ 9,726,178	\$ 26,859,467
Petty Cash	2,550	-	2,550
Accounts Receivable:			
Property Taxes	412,790	3,574	416,364
Tax Liens	462,264	-	462,264
Excises	143,508	-	143,508
User Charges	-	64,010	64,010
Special Assessments	1,594	-	1,594
Special Assessments - Not Yet Due	61,319	34,416	95,735
Intergovernmental	1,039,315	19,416	1,058,731
Tax Foreclosures	258,955	-	258,955
Total Assets	<u>\$ 19,515,584</u>	<u>\$ 9,847,594</u>	<u>\$ 29,363,178</u>
Liabilities:			
Warrants Payable	\$ 685,344	\$ 99,115	\$ 784,459
Accrued Salaries Payable	1,434,323	50,802	1,485,125
Guarantee Deposits	689,240	-	689,240
Unclaimed Checks	12,068	-	12,068
Bonds Anticipation Notes Payable	-	258,775	258,775
Total Liabilities	<u>2,820,975</u>	<u>408,692</u>	<u>3,229,667</u>
Deferred Inflow of Resources:			
Unavailable Revenues			
Property Taxes	123,831	3,574	127,405
Tax Liens	462,264	-	462,264
Excises	34,502	-	34,502
Special Assessments	62,913	34,416	97,329
Tax Foreclosures	258,955	-	258,955
User Charges	-	64,010	64,010
Intergovernmental	1,039,315	-	1,039,315
Total Deferred Inflow of Resources	<u>1,981,780</u>	<u>102,000</u>	<u>2,083,780</u>
Fund Equity:			
Fund Balances:			
Nonspendable	-	1,510,563	1,510,563
Restricted	349,512	6,366,019	6,715,531
Committed	2,416,399	1,460,320	3,876,719
Assigned	887,898	-	887,898
Unassigned	11,059,020	-	11,059,020
Total Fund Balances	<u>14,712,829</u>	<u>9,336,902</u>	<u>24,049,731</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,515,584</u>	<u>\$ 9,847,594</u>	<u>\$ 29,363,178</u>

Town of Littleton, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2015

	<u>General</u>	Total Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Revenues:</u>			
Property Taxes	\$ 30,310,309	\$ 297,012	\$ 30,607,321
Tax Liens	91,764	-	91,764
Excises	1,350,388	-	1,350,388
Penalties and Interest	86,800	-	86,800
Licenses, Permits and Fees	750,518	170,725	921,243
Departmental	188,989	2,281,459	2,470,448
Intergovernmental	6,742,884	2,292,146	9,035,030
Charges for Services	308,306	629,638	937,944
Fines and Forfeits	61,915	-	61,915
Earnings on Investments	115,773	(8,303)	107,470
In Lieu of Taxes	875,381	-	875,381
Contributions	-	536,637	536,637
Special Assessments	13,756	-	13,756
Miscellaneous	17,466	-	17,466
Total Revenues	<u>40,914,249</u>	<u>6,199,314</u>	<u>47,113,563</u>
<u>Expenditures:</u>			
Current			
General Government	2,673,325	795,163	3,468,488
Public Safety	3,218,222	346,583	3,564,805
Education	19,154,228	3,173,063	22,327,291
Highways and Public Works	3,048,199	809,565	3,857,764
Human Services	332,436	153,596	486,032
Culture and Recreation	538,574	42,491	581,065
Employee Benefits	5,356,781	-	5,356,781
Debt Service	3,306,098	-	3,306,098
Intergovernmental	1,040,000	-	1,040,000
Total Expenditures	<u>38,667,863</u>	<u>5,320,461</u>	<u>43,988,324</u>
Excess of Revenues Over (Under) Expenditures	<u>2,246,386</u>	<u>878,853</u>	<u>3,125,239</u>
Other Financing Sources (Uses):			
Operating Transfers In	749,518	995,381	1,744,899
Operating Transfers (Out)	(829,000)	(1,204,486)	(2,033,486)
Total Other Financing Sources (Uses)	<u>(79,482)</u>	<u>(209,105)</u>	<u>(288,587)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>2,166,904</u>	<u>669,748</u>	<u>2,836,652</u>
Fund Balance, Beginning	<u>12,545,925</u>	<u>8,667,154</u>	<u>21,213,079</u>
Fund Balance, Ending	<u>\$ 14,712,829</u>	<u>\$ 9,336,902</u>	<u>\$ 24,049,731</u>

Town of Littleton, Massachusetts
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
Fiscal Year Ended June 30, 2015

Total governmental fund balances	\$ 24,049,731
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	73,041,717
Other assets are offset in unavailable accounts and are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,083,780
This represents the amount included in Unavailable Revenue for tax foreclosures. The tax foreclosures are included as fixed assets (not accounts receivable) on the Statement of Net Position.	(258,955)
Deferred Outflows/Inflows of Resources related to Pensions and Debt Refundings are not required to be reported in the fund financial statements. However, they must be amortized as expenses in future periods in the entity- wide financial statements:	
Deferred Outflows of Resources - Pensions	39,955
Deferred Inflows of Resources - Debt Refundings	(154,683)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds Payable	(22,963,284)
Accrued Interest on Bonds	(245,880)
Compensated Absences	(287,281)
Net Pension Liability	(11,834,339)
Other Post Employment Benefits Payable	(13,931,074)
Capital Lease Payable	(7,455)
	<hr/>
Net position of governmental activities	<u><u>\$ 49,532,232</u></u>

Town of Littleton, Massachusetts
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Fiscal Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$ 2,836,652
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. This represents the difference between capital outlay, contributed assets, capital assets transferred from other funds and depreciation.	(890,636)
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 unavailable revenue.	(210,528)
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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,543,704
Some expenses (i.e. accrued interest payable) reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. This amount reflects the net change from the prior year.	22,164
Some expenses reported in the Statement of Activities, such as compensated absences, accruals related to the net pension liability and other post employment benefits payable do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount reflects the net change from the prior year.	<u>(1,500,803)</u>
Change in net position of governmental activities	<u><u>\$ 2,800,553</u></u>

Town of Littleton, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2015
(Except for the Electric Activity, Which is December 31, 2014)

	Business Type Activities			
	Electric <u>Light</u>	<u>Water</u>	<u>Park and Recreation</u>	<u>Total</u>
Assets				
Current:				
Cash and Investments	\$ 4,271,301	\$ 851,873	\$ 191,930	\$ 5,315,104
Accounts Receivable, Net of Allowance:				
User Charges	4,275,653	252,026	-	4,527,679
Accrued Unbilled Revenues	-	285,620	-	285,620
Merchandising and Jobbing	124,478	27,252	-	151,730
Intergovernmental	-	39,203	-	39,203
Prepaid Expenses	574,088	-	-	574,088
Inventory	887,893	69,091	-	956,984
Noncurrent:				
Restricted Cash	2,037,156	-	-	2,037,156
Restricted Investments	9,976,180	-	-	9,976,180
Assets Not Being Depreciated	1,317,067	722,747	-	2,039,814
Assets Being Depreciated, Net	18,336,973	11,745,215	-	30,082,188
Total Assets	<u>41,800,789</u>	<u>13,993,027</u>	<u>191,930</u>	<u>55,985,746</u>
Deferred Outflows of Resources				
Pensions	-	3,096	1,426	4,522
Total Deferred Outflows of Resources	<u>-</u>	<u>3,096</u>	<u>1,426</u>	<u>4,522</u>
Liabilities				
Current:				
Warrants Payable	\$ -	\$ -	\$ 26,177	\$ 26,177
Accrued Payroll Payable	79,111	-	13,327	92,438
Accounts Payable	-	35,190	-	35,190
Other Liabilities	2,219,694	-	-	2,219,694
Accrued Interest Payable	6,670	56,312	-	62,982
Compensated Absences	51,716	16,737	6,714	75,167
Lease Payable	-	15,776	-	15,776
Bonds Payable	135,200	401,239	-	536,439
Noncurrent:				
Compensated Absences	265,091	39,052	2,878	307,021
Lease Payable	-	17,689	-	17,689
Net Pension Liability	-	913,744	422,469	1,336,213
Other Post Employment Benefits Payable	503,056	257,978	-	761,034
Bonds Payable	395,200	5,102,454	-	5,497,654
Total Liabilities	<u>3,655,738</u>	<u>6,856,171</u>	<u>471,565</u>	<u>10,983,474</u>
Net Position				
Net Investment in Capital Assets	19,123,640	6,930,804	-	26,054,444
Restricted for Other Post Employment Benefits	1,184,199	205,586	-	1,389,785
Unrestricted	17,837,212	3,562	(278,209)	17,562,565
Total Net Position	<u>\$ 38,145,051</u>	<u>\$ 7,139,952</u>	<u>\$ (278,209)</u>	<u>\$ 45,006,794</u>

Town of Littleton, Massachusetts
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2015
(Except for the Electric Activity, Which is December 31, 2014)

	Business Type Activities			
	Electric Light <u>Enterprise</u>	Water <u>Enterprise</u>	Park and Recreation <u>Enterprise</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	\$ 33,723,329	\$ 1,908,736	\$ 791,992	\$ 36,424,057
Debt Service Fee	-	234,194	-	234,194
Total Operating Revenues	<u>33,723,329</u>	<u>2,142,930</u>	<u>791,992</u>	<u>36,658,251</u>
Operating Expenditures:				
Purchase Power	24,969,989	-	-	24,969,989
Operating	1,067,766	248,005	899,620	2,215,391
Maintenance	913,689	838,930	-	1,752,619
General and Administrative	2,636,939	950,936	-	3,587,875
Depreciation	950,803	547,693	-	1,498,496
Total Operating Expenditures	<u>30,539,186</u>	<u>2,585,564</u>	<u>899,620</u>	<u>34,024,370</u>
Operating Income	<u>3,184,143</u>	<u>(442,634)</u>	<u>(107,628)</u>	<u>2,633,881</u>
Nonoperating Revenues (Expenses):				
Merchandising and Jobbing Revenues	528,889	484,739	-	1,013,628
Earnings on Investments	193,269	4,227	-	197,496
Intergovernmental	-	39,203	-	39,203
Miscellaneous	697	129,240	-	129,937
Contribution of Services to Water Department	(284,200)	-	-	(284,200)
Contribution of Services by Light Department	-	298,196	-	298,196
Contribution to Town by Light Department	(368,607)	-	-	(368,607)
Interest Expense	(26,037)	(185,703)	-	(211,740)
Payment to Town Indirect Costs and In Lieu of Taxes	(693,789)	-	-	(693,789)
Sustainable Water management Initiative Grant	-	(39,103)	-	(39,103)
Total Nonoperating Revenues (Expenses)	<u>(649,778)</u>	<u>730,799</u>	<u>-</u>	<u>81,021</u>
Change in Net Position Before Transfers	<u>2,534,365</u>	<u>288,165</u>	<u>(107,628)</u>	<u>2,714,902</u>
Transfers In (Out):				
Transfer Capital Assets to Governmental Activities	-	-	(21,000)	(21,000)
Transfers from Other Funds	-	-	288,587	288,587
Total Transfers In (Out)	<u>-</u>	<u>-</u>	<u>267,587</u>	<u>267,587</u>
Change in Net Position	<u>2,534,365</u>	<u>288,165</u>	<u>159,959</u>	<u>2,982,489</u>
Total Net Position at Beginning of Year	<u>35,610,686</u>	<u>7,762,017</u>	<u>-</u>	<u>43,372,703</u>
Prior Period Adjustments	<u>-</u>	<u>(910,230)</u>	<u>(438,168)</u>	<u>(1,348,398)</u>
Total Net Position at Beginning of Year, as Restated	<u>35,610,686</u>	<u>6,851,787</u>	<u>(438,168)</u>	<u>42,024,305</u>
Total Net Position at End of Year	<u>\$ 38,145,051</u>	<u>\$ 7,139,952</u>	<u>\$ (278,209)</u>	<u>\$ 45,006,794</u>

Town of Littleton, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2015
(Except for the Electric Activity, Which is for Year Ended December 31, 2014)

	<u>Electric Light</u>	<u>Water</u>	<u>Park and Recreation</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 32,720,455	\$ 1,977,855	\$ 791,992	\$ 35,490,302
Payments to Employees and Vendors	(29,419,201)	(1,685,994)	(867,649)	(31,972,844)
Net Cash Flows Provided (Used) by Operating Activities	<u>3,301,254</u>	<u>291,861</u>	<u>(75,657)</u>	<u>3,517,458</u>
Cash Flows from Non Capital Related Financing Activities:				
Merchandising and Jobbing Revenue	480,629	479,927	-	960,556
Intergovernmental	-	65,990	-	65,990
Sustainable Water Management Initiative Grant	-	(39,103)	-	(39,103)
Miscellaneous	697	129,240	-	129,937
Payment to Town Indirect Costs and In Lieu of Taxes	(693,789)	-	-	(693,789)
Contribution of Services to Water Department	(284,200)	-	-	(284,200)
Contribution to Town by Light Department	(368,607)	-	-	(368,607)
Transfers In (Out)	-	-	288,587	288,587
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(865,270)</u>	<u>636,054</u>	<u>288,587</u>	<u>59,371</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(1,233,080)	(352,886)	(21,000)	(1,606,966)
Capital Lease Payments	-	(15,286)	-	(15,286)
Retirement of Bond Anticipation Note	-	(4,537,900)	-	(4,537,900)
Proceeds from Bonds	-	4,486,000	-	4,486,000
Principal Payments on Bonds	(136,933)	(285,000)	-	(421,933)
Interest Expense	(27,506)	-	-	(27,506)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(1,397,519)</u>	<u>(705,072)</u>	<u>(21,000)</u>	<u>(2,123,591)</u>
Cash Flows from Investing Activities:				
Earnings on Investments	193,269	4,227	-	197,496
Net Cash Flows Provided (Used) by Investing Activities	<u>193,269</u>	<u>4,227</u>	<u>-</u>	<u>197,496</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>1,231,734</u>	<u>227,070</u>	<u>191,930</u>	<u>1,650,734</u>
Cash and Cash Equivalents at Beginning of Year	15,052,903	624,803	-	15,677,706
Cash and Cash Equivalents at End of Year	<u>\$ 16,284,637</u>	<u>\$ 851,873</u>	<u>\$ 191,930</u>	<u>\$ 17,328,440</u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 3,184,143	\$ (442,634)	\$ (107,628)	\$ 2,633,881
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	950,803	547,693	-	1,498,496
Contribution of Services by Light Department	-	298,196	-	298,196
(Increase) Decrease in Accounts Receivable	(1,002,874)	(165,075)	-	(1,167,949)
(Increase) Decrease in Prepayments	21,800	-	-	21,800
Increase (Decrease) in Payroll and Accounts Payable	-	39,378	26,177	65,555
Increase (Decrease) in Accrued Liabilities	147,382	-	13,327	160,709
Increase (Decrease) in Compensated Absences Payable	-	(9,833)	(7,726)	(17,559)
Increase (Decrease) in Net Pension Liability	-	418	193	611
Increase (Decrease) in Other Post Employment Benefits Payable	-	23,718	-	23,718
Net Cash Provided by Operating Activities	<u>\$ 3,301,254</u>	<u>\$ 291,861</u>	<u>\$ (75,657)</u>	<u>\$ 3,517,458</u>
Schedule of Noncash Capital and Related Financing Activities				
Purchase of Assets on Account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Littleton, Massachusetts
Fiduciary Funds
Statement of Net Position
June 30, 2015

	Private Purpose Trust Fund <u>Charity</u>	Other Post Employment Benefits <u>Trust</u>	Agency <u>Funds</u>
Assets			
Cash and Cash Investments	\$ 1,599,702	\$ 4,169,730	\$ 370,299
Total Assets	1,599,702	4,169,730	370,299
Liabilities			
Warrants Payable	-	-	13,032
Employees' Withholding Payable	-	-	382,805
Other	-	-	(25,538)
Total Liabilities	-	-	370,299
Net Position			
Held in Trust for Other Post Employment Benefits and Other Purposes	1,599,702	4,169,730	-
Total Net Position	\$ 1,599,702	\$ 4,169,730	\$ -

Town of Littleton, Massachusetts
Fiduciary Funds
Statement of Changes in Net Position
Fiscal Year Ended June 30, 2015

	Private Purpose Trust Fund <u>Charity</u>	Other Post Employment Benefits <u>Trust</u>
Additions:		
Employer Contributions	\$ -	\$ 781,700
Interest, Dividends, and Other	6,000	78,105
Total Additions	<u>6,000</u>	<u>859,805</u>
Deductions:		
Scholarships	<u>54,500</u>	<u>-</u>
Change in Net Position	<u>(48,500)</u>	<u>859,805</u>
Net Position:		
Beginning of the Year	<u>1,648,202</u>	<u>3,309,925</u>
Ending of the Year	<u><u>\$ 1,599,702</u></u>	<u><u>\$ 4,169,730</u></u>

Town of Littleton, Massachusetts
Notes to the Financial Statements
June 30, 2015 (December 31, 2014 Electric Light Enterprise Fund)

I. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Littleton, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2015, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

The more significant accounting policies of the Town are summarized below.

(A) **Reporting Entity**

The Town's basic financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

(B) **Government-wide and fund 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 and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Government 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 segments 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.

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 are reported as separate columns in the fund financial statements.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or

enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and the enterprise fund 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 recognized 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise tax, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

The Town reports the following major governmental fund:

General Fund – This is the Town’s general operating fund. It accounts for all financial resources of the general government except those required to be accounting for in another fund.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following types are funds are included in the nonmajor category:

The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The permanent fund is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

Water Fund – This fund is used to account for the activities related to the water distribution system.

Electric Light Fund – This fund is used to account for the activities related to the Electric Light Department.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The other postemployment benefit trust fund is used to accumulate resources for future other postemployment benefits (OPEB) liabilities.

The private-purpose trust fund is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion to be spent. The Town maintains a private purpose trust fund for several charitable trusts funds.

The agency fund is used to account for assets held in a purely custodial capacity.

(D) **Change in Reporting**

In fiscal year 2014 the activity related to the park and recreation services was reported in the special revenue funds. In fiscal year 2015 it is reported as an enterprise fund.

(E) **Assets, Liabilities and Net Position or Equity**

i **Deposits and Investments**

The Town's cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust "MMDT".

Also, certain governmental funds (primarily trust funds) have broader investment powers which allow for investments in common stocks, corporate bonds and other types of investments.

ii Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. Estimated bills (based on the prior year) are due on August 1 and November 1. Actual bills are mailed after the tax rate has been set and are due on February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1st of the next fiscal year.

The Town is permitted to levy property taxes to the lesser of 2.5% of the full and fair cash value of the Town's property or 2.5% increase of the prior year's levy plus new growth. Overrides, debt exclusions and capital exclusions can be authorized by voter approval.

iii Capital Assets

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

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets lives is 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Vehicles	5-15
Equipment	5-10

iv. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town's governmental fund financial statements (balance sheet) reflect deferred inflows of resources for revenues that are not considered "available" criteria. The government wide financial statements (statement of net position) reflect deferred outflows of resources related to pensions and deferred inflows of resources related to debt exclusions.

v. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows.

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be debt used to acquire capital assets.

Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

Net position is reported as restricted when there is an externally imposed restriction on its use or it is limited by enabling legislation.

Fund Financial Statements (Fund Balances)

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires that the fund balance amounts to be reported within one of the fund balance categories list below.

1.Nonspendable, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund),

2.Restricted, constraints are placed on the use of resources that can be spent only for the specific purposes that are either (a) imposed by creditors, grantors or contributors, or (b) imposed by law through constitution provisions or through enabling legislation,

3.Committed, includes amounts that can be used only for the specific purposes determined by a formal action of Town meeting (the Town’s highest level of decision-making authority). Committed fund balance cannot be used for any other purpose unless the same formal action (i.e. Town meeting vote) that was taken to commit the fund balance is taken to uncommit it or commit it for another purpose.

4.Assigned, intended (by the Board of Selectmen, Town Administrator or Town Accountant) to be used by the government for specific purposes, but does not meet the criteria to be classified as restricted or committed, and

5.Unassigned, the residual classification for the government’s general fund and includes all spendable amounts not contained in the restricted, committed or assigned categories. Only the general fund may have a positive unassigned fund balance.

The Town has not formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the Town's balance sheet.

	<u>General Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
Fund Balances:			
Nonspendable:			
Education	\$ -	\$ 609,122	\$ 609,122
Cemetery Perpetual Care	-	193,024	193,024
Library	-	658,175	658,175
Culture and Recreation	-	50,242	50,242
Total Nonspendable	<u>-</u>	<u>1,510,563</u>	<u>1,510,563</u>
Restricted:			
After School Programs	-	614,790	614,790
Community Preservation	-	496,777	496,777
Community Septage Management	-	131,662	131,662
Local Access Television	-	468,156	468,156
School Lunch Services	-	295,889	295,889
Special Education	-	702,762	702,762
Cemetery Perpetual Care	-	223,062	223,062
Road Improvements	-	200,000	200,000
Library	-	699,274	699,274
General Government	-	673,624	673,624
Public Safety	-	90,680	90,680
Education	-	1,523,861	1,523,861
Highways and Public Works	-	108,010	108,010
Culture and Recreation	-	137,472	137,472
Debt Services	349,512	-	349,512
Total Restricted:	<u>349,512</u>	<u>6,366,019</u>	<u>6,715,531</u>

	<u>General Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
Committed:			
Master Planning	112,179	-	112,179
Shaker Lane School Site	190,082	-	190,082
Council on Aging Kitchen	114,372	-	114,372
High School Roof	100,000	-	100,000
Fuel Facility	248,388	-	248,388
Ambulance Services	-	552,191	552,191
Building Department	-	137,222	137,222
Clean Lakes Projects	-	429,648	429,648
General Government	162,499	223,891	386,390
Public Safety	116,325	28,121	144,446
Education	87,062	14,937	101,999
Highways and Public Works	105,022	74,310	179,332
Human Services	10,000	-	10,000
Culture and Recreation	40,270	-	40,270
Capital Outlay	1,130,200	-	1,130,200
Total Committed:	<u>2,416,399</u>	<u>1,460,320</u>	<u>3,876,719</u>
Assigned:			
Road Improvements	608,366	-	608,366
General Government	27,935	-	27,935
Public Safety	3,280	-	3,280
Highways and Public Works	241,889	-	241,889
Human Services	5,648	-	5,648
Culture and Recreation	780	-	780
Total Assigned:	<u>887,898</u>	<u>-</u>	<u>887,898</u>
Unassigned:	<u>11,059,020</u>	<u>-</u>	<u>11,059,020</u>
Total Fund Balances	<u><u>\$ 14,712,829</u></u>	<u><u>\$ 9,336,902</u></u>	<u><u>\$ 24,049,731</u></u>

Stabilization Fund

The Town established a stabilization fund in accordance with Massachusetts General Laws Chapter 40 Section 5B. That section of the law stipulates that “cities, towns and districts may appropriate in any year an amount not exceeding, in the aggregate, 10 per cent of the amount raised in the preceding fiscal year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Director of Accounts. The aggregate amount in such funds at any time shall not exceed 10 per cent of the equalized valuation of the city or town as defined in section 1 of chapter 44. Any interest shall be added to and become part of the fund”.

“The treasurer shall be the custodian of all such funds and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, co-operative banks or trust companies organized under the laws of the commonwealth, or invest the same in such securities as are legal for the investment of funds of savings banks under the laws of the commonwealth or in federal savings and loans associations situated in the commonwealth”.

“At the time of creating any such fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation an approved school project under chapter 70B or any other purpose for which the city, town or district

may lawfully borrow money. Such specification and any such alteration of purpose, and any appropriation of funds into or out of any such fund, shall be approved by two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C, in a town or district any such vote shall be taken at an annual or special town meeting and in a city any such vote shall be taken by city council”.

The Town’s stabilization fund has a current balance of \$1,876,028. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the Town’s balance sheet. In addition, the Town has established a “capital” stabilization fund. The current balance of the fund is \$211,920. It is reported as a component of committed fund balance on the Town’s balance sheet.

vi Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on contractual agreements. The liabilities for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid accumulated annual vacation and sick leave benefits. A liability for the compensated absences is reported in the governmental funds only if they have matured and will be paid from available resources.

vii 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 fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

viii Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ix Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

F. Pensions

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 Middlesex County Retirement System and the Massachusetts Teachers’ Retirement System and additions to/deductions from the Systems’ fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including

refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II Stewardship, Compliance and Accountability

(A) Budgetary Information

i General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until May, which is when the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances do not constitute expenditures or liabilities.

ii Budget Basis of Accounting

The final budget appearing in the required supplementary information section of the financial statements is taken from the Town's annual recap sheet and includes those amounts which pertain to fiscal 2015 adjusted for any special Town meeting votes applicable to fiscal 2015 and reserve fund transfers authorized by the Finance Committee.

The following reconciliation summarizes the differences between the budget basis and the Generally Accepted Accounting Principles (GAAP) basis for the year ended June 30, 2015.

	<u>Revenues</u>
As Reported Budget Basis	\$ 39,040,481
Adjustments:	
Sixty Day Accrual - Net	145,181
Earning Income of Stabilization Fund Reported in Statement of	
Revenues, Expenditures, and Changes in Fund Balances	21,558
State Contributions for Pensions Included in Intergovernmental	1,707,029
As Reported GAAP Statement	<u>\$ 40,914,249</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 37,434,455
Adjustments:	
July 1, 2014 Encumbrances	1,697,926
June 30, 2015 Encumbrances	(2,171,547)
State Contributions for Pensions Included in Employee Benefits	1,707,029
As Reported GAAP Statement	<u>\$ 38,667,863</u>

III Detailed Notes on All Funds

i) Deposits

a.) Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a formal investment policy that addresses custodial credit risk. Key sections of the policy are detailed below:

- Bank accounts or Certificate of Deposit accounts (CD's) with no limit to the length of maturity from the date of purchase may be made for unlimited amounts if the depository institution is a member of the Depository Insurance Fund (DIF) or the Share Insurance Fund (SIF). These funds insure all deposits held at a member Massachusetts state chartered savings bank or co-operative bank respectively.
- Bank accounts, Certificate of Deposit accounts (CD's) and/or brokered CD's with no limit to the length of maturity from the date of purchase up to the FDIC coverage limits. All account balances in a single depository institution are considered in the aggregate to determine FDIC coverage limits.
- Bank accounts or Certificate of Deposit accounts (CD's) with no limit to the length of maturity from the date of purchase may be made for unlimited amounts if the deposit is fully collateralized by a third party agreement or securities owned by a depository institution that have been segregated from the day-to-day assets of the institution in order to provide collateralization.
- Uninsured or unsecured bank accounts or Certificate of Deposit accounts (CD's) with a final maturity no greater than one year from the date of purchase are allowed to be held by the Town subject to the following limitations:
 - The aggregate uninsured portion of deposits held at any one institution cannot exceed 5% of the institutions total deposits reflected on the bank's last filed FDIC Call Report.
 - No more than 10% of the Town's funds, applicable to this section, may be held in uninsured accounts.
 - The credit worthiness of the depository will be tracked by Treasurer utilizing the Veribanc rating report.

As of June 30, 2015, \$559,798 of the Town's bank balance of \$29,356,814 was exposed to credit risk as follows:

Uninsured and Uncollateralized \$ 559,798

ii) Investments

a.) As of June 30, 2015, the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>
U. S. Government Obligations	\$ 5,394,424	\$ 966,053	\$ 3,692,399	\$ 735,972
Corporate Bonds	<u>1,265,188</u>	<u>-</u>	<u>1,184,283</u>	<u>80,905</u>
Total Debt Related Securities	<u>\$ 6,659,612</u>	<u>\$ 966,053</u>	<u>\$ 4,876,682</u>	<u>\$ 816,877</u>

Other Investments:

Money Market Funds	\$ 289,497
Mutual Funds	8,644,259
Equities	6,323,203
Mass. Municipal Depository Trust	<u>1,428,339</u>
Total Other Investment	<u>16,685,298</u>
Total Investments	<u>\$ 23,344,910</u>

b.) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates is as follows:

- Short-term investments for funds covered in Section I are by statute limited to one year or less in maturity with all securities held to maturity.
- Longer term investments, other than trust funds under the direction of the Commissioners of Trust Funds, will be made for periods not longer than five years, maintaining an average maturity no greater than three years for the portfolio.

c.) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy relating to credit risk is as follows.

- Longer term investments in fixed income securities, other than trust funds under the direction of the Commissioners of Trust Funds, will be made principally for capital preservation and income potential. Corporate debt must be rated "A" or better by either S&P or Moody's rating services. If a security falls below the "A" rating, the security will be monitored by the Treasurer and advisor, if applicable. The security will be noted as an exception to policy if held in the portfolio. The Treasurer and/or advisor may sell the security if a further decline in value is expected.

d.) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy relating to concentration of credit risk is as follows:

- The Town will minimize any concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Specific investment amounts and/or issuer limitations are addressed in the policy.

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 or deposit. The Town's policy states that it will not invest in any instrument exposed to foreign currency risk.

B. Capital Assets

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

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Land	\$ 11,631,908	\$ 32,977	\$ -	\$ 11,664,885
Work in Progress	77,355	243,306	-	320,661
Total Capital Assets not Being Depreciated	<u>11,709,263</u>	<u>276,283</u>	<u>-</u>	<u>11,985,546</u>
Assets Being Depreciated:				
Buildings	76,733,163	87,350	-	76,820,513
Improvements Other Than Buildings	716,865	-	-	716,865
Infrastructure	22,762,560	1,439,383	-	24,201,943
Equipment	3,213,854	261,100	-	3,474,954
Vehicles	4,644,562	231,658	(43,610)	4,832,610
Total Capital Assets Being Depreciated	<u>108,071,004</u>	<u>2,019,491</u>	<u>(43,610)</u>	<u>110,046,885</u>
Less Accumulated Depreciation for:				
Buildings	(26,504,999)	(2,177,122)	-	(28,682,121)
Improvements Other Than Buildings	(52,417)	(37,262)	-	(89,679)
Infrastructure	(13,682,320)	(487,673)	-	(14,169,993)
Equipment	(2,532,499)	(160,321)	-	(2,692,820)
Vehicles	(3,068,509)	(331,202)	43,610	(3,356,101)
Total Accumulated Depreciation	<u>(45,840,744)</u>	<u>(3,193,580)</u>	<u>43,610</u>	<u>(48,990,714)</u>
Capital Assets Being Depreciated, Net	<u>62,230,260</u>	<u>(1,174,089)</u>	<u>-</u>	<u>61,056,171</u>
Governmental Activities Capital Assets, Net	<u>\$ 73,939,523</u>	<u>\$ (897,806)</u>	<u>\$ -</u>	<u>\$ 73,041,717</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 94,626
Public Safety	630,314
Education	1,857,258
Highways and Public Works	605,021
Culture and Recreation	6,361
Total Governmental Activities Depreciation Expense	<u>\$ 3,193,580</u>

Business-Type Activities:

<u>Electric Light</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 1,312,676	\$ -	\$ -	\$ 1,312,676
Construction in Progress	276,986	67,495	(340,090)	4,391
Total Capital Assets not Being Depreciated	<u>1,589,662</u>	<u>67,495</u>	<u>(340,090)</u>	<u>1,317,067</u>
Assets Being Depreciated:				
Other Depreciable Assets	<u>31,678,996</u>	<u>1,505,675</u>	<u>(154,756)</u>	<u>33,029,915</u>
Total Capital Assets Being Depreciated	<u>31,678,996</u>	<u>1,505,675</u>	<u>(154,756)</u>	<u>33,029,915</u>
Less Accumulated Depreciation for:				
Other Depreciable Assets	<u>(13,896,895)</u>	<u>(950,803)</u>	<u>154,756</u>	<u>(14,692,942)</u>
Total Accumulated Depreciation	<u>(13,896,895)</u>	<u>-</u>	<u>154,756</u>	<u>(14,692,942)</u>
Capital Assets Being Depreciated, Net	<u>17,782,101</u>	<u>1,505,675</u>	<u>-</u>	<u>18,336,973</u>
Electric Light Capital Assets, Net	<u>\$ 19,371,763</u>	<u>\$ 1,573,170</u>	<u>\$ (340,090)</u>	<u>\$ 19,654,040</u>
<u>Water</u>				
Land	\$ 722,747	\$ -	\$ -	\$ 722,747
Total Capital Assets not Being Depreciated	<u>722,747</u>	<u>-</u>	<u>-</u>	<u>722,747</u>
Other Depreciable Assets	<u>18,256,416</u>	<u>352,886</u>	<u>-</u>	<u>18,609,302</u>
Total Capital Assets Being Depreciated	<u>18,256,416</u>	<u>352,886</u>	<u>-</u>	<u>18,609,302</u>
Less Accumulated Depreciation for:				
Other Depreciable Assets	<u>(6,316,394)</u>	<u>(547,693)</u>	<u>-</u>	<u>(6,864,087)</u>
Total Accumulated Depreciation	<u>(6,316,394)</u>	<u>-</u>	<u>-</u>	<u>(6,864,087)</u>
Capital Assets Being Depreciated, Net	<u>11,940,022</u>	<u>352,886</u>	<u>-</u>	<u>11,745,215</u>
Water Capital Assets, Net	<u>\$ 12,662,769</u>	<u>\$ 352,886</u>	<u>\$ -</u>	<u>\$ 12,467,962</u>
Depreciation expense was charged to the Business Type Activities as follows:				
Electric Light		\$ 950,803		
Water		547,693		
Total Business-Type Activities Depreciation Expense		<u>\$ 1,498,496</u>		

C. Accounts Receivable

The accounts receivable on the balance sheets are listed below by levy.

Governmental Activities

Current:

Property Taxes Receivable:

Real Estate Taxes

2015	\$ 385,882	
Total Real Estate Taxes		\$ 385,882

Personal Property Taxes

2015	11,008	
2014	2,385	
2013	13,205	
2012	310	
Total Personal Property Taxes		26,908

Community Preservation Act Taxes

2015	3,574	
Total Community Preservation Act Taxes		3,574

Total Property Taxes \$ 416,364

Tax Liens \$ 462,264

Excise Taxes Receivable:

Motor Vehicle Excise Tax

2015	\$ 102,066	
2014	25,447	
2013	4,657	
2012	2,269	
2011	3,064	
2010	2,562	
2009	2,637	
2008	806	
Total Excise Tax		\$ 143,508

User Charge - Ambulance \$ 64,010

Special Assessments:

Street Assessments Principal 2015	\$ 886	
Street Assessments Committed Interest 2015	708	
		\$ 1,594

C. Accounts Receivable (Continued)

Intergovernmental:

Due from Commonwealth of Massachusetts

School Building Projects \$ 207,863

Other Grants 19,416

Total Current Intergovernmental \$ 227,279

Noncurrent

Intergovernmental:

Due from Commonwealth of Massachusetts

School Building Projects \$ 831,452

Special Assessments - Not Yet Due:

Street Assessments \$ 43,624

Water Betterments 17,696

Septic Betterments 34,415

Total Special Assessments - Not Yet Due \$ 95,735

Business Type Activities

User Charges:

Electric Light - net allowance for uncollectible \$ 4,275,653

Water Rates 252,026

\$ 4,527,679

Accrued Unbilled Revenues:

Water Rates \$ 285,620

Merchandising and Jobbing:

Electric Light \$ 124,478

Water 27,252

\$ 151,730

Intergovernmental:

Due from Commonwealth of Massachusetts -

Sustainable Water Management Initiative Grant \$ 39,203

D. Debt

i Short Term Debt

The Town has various bond anticipation notes payable outstanding as of June 30, 2015 as follows:

Purpose	Balance Beginning of Year	Issued	Redeemed	Balance End of Year	Net Interest Rate	Maturity Date
<u>Governmental Activities:</u>						
<u>Bond Anticipation Notes</u>						
Russell Street School Construction	\$ 100,000	\$ -	\$ 100,000	\$ -		
Track	285,000	-	285,000	-		
Sewer Foster Street	100,000	-	100,000	-		
Church Meadows	270,000	203,500	270,000	203,500	0.550%	8/14/2015
Septic Loan Program	-	55,275	-	55,275	0.100%	6/4/2016
Total Notes Payable Governmental Activities	<u>\$ 755,000</u>	<u>\$ 258,775</u>	<u>\$ 755,000</u>	<u>\$ 258,775</u>		
<u>Business Type Activities:</u>						
<u>Bond Anticipation Notes</u>						
Cobbs Well	\$ 184,100	\$ -	\$ 184,100	\$ -		
Capital Improvements Well # 2	121,700	-	121,700	-		
Water Capital Improvements	282,100	-	282,100	-		
Well Production Facility	200,000	-	200,000	-		
Well # 2 Development	3,750,000	-	3,750,000	-		
Total Notes Payable Business Type Activities	<u>\$ 4,537,900</u>	<u>\$ -</u>	<u>\$ 4,537,900</u>	<u>\$ -</u>		

D. Debt (Continued)

ii Long Term Debt

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 are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 20 years. General obligation bonds outstanding at June 30, 2015 are as follows:

(a) General Obligation Bonds Outstanding at June 30, 2015

<u>Governmental Activities:</u>	Fiscal Year	Original	Net	Fiscal Year	Balance			Balance
<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Borrowing</u>	<u>Interest Rates</u> <u>to Maturities</u>	<u>Final Maturity</u>	<u>July 1, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30, 2015</u>
Septic Loan Program #1	1999	199,807	5.47%	2017	\$ 33,301	\$ -	\$ 11,100	\$ 22,201
Water Mains - Matawanakee Betterment	1999	450,000	4.41%	2019	100,000	-	20,000	80,000
Septic Loan Program #2	2003	189,474	4.83%	2021	74,538	-	10,352	64,186
Land Acquisition - Prouty	2005	323,955	4.01%	2024	250,000	-	25,000	225,000
Land Acquisition - Hartwell	2005	575,000	3.98%	2023	270,000	-	30,000	240,000
Sewer - WWTS	2005	1,760,000	4.03%	2025	950,000	-	90,000	860,000
Building Remodeling - Fire House Refunding	2007	77,050	3.41%	2017	15,000	-	5,000	10,000
Building Remodeling - Town								
Offices- Refunding	2007	256,550	3.48%	2015	60,000	-	30,000	30,000
Land Acquisition - Frost Whit refunding	2007	322,175	3.49%	2016	105,000	-	35,000	70,000
School Project - Shaker Lane - Refunding	2007	2,352,000	3.72%	2019	1,257,667	-	258,067	999,600
Middle School - Low Int Ln	2008	2,142,297	2.00%	2029	1,606,722	-	107,115	1,499,607
Middle School	2008	7,554,000	3.96%	2027	5,095,000	-	400,000	4,695,000
Land Acquisition - Lucy's Land	2010	150,000	3.33%	2029	110,000	-	10,000	100,000
Building Remodeling - Houghton Roof	2010	195,000	3.48%	2029	150,000	-	10,000	140,000
Architectural Services Police Stn Design	2010	300,000	3.38%	2028	220,000	-	20,000	200,000
Police Station Constr	2010	6,023,303	3.49%	2029	4,740,000	-	320,000	4,420,000
Architectural Services - RSS Design	2011	232,800	3.55%	2031	185,000	-	15,000	170,000
Land Acquisition - Cobbs Land -								
Community Preservation Act	2011	323,955	3.56%	2031	260,000	-	20,000	240,000
Water Mains - Goldsmith St	2011	1,094,400	3.58%	2031	925,000	-	55,000	870,000
School Project - RSS Construction	2011	5,428,845	3.59%	2031	4,600,000	-	275,000	4,325,000
Police Land-Refunding	2013	228,000	1.21%	2022	200,000	-	30,000	170,000
Land Acq - Morrison-Refunding	2013	724,000	0.87%	2020	605,000	-	115,000	490,000
High School-Refunding	2013	3,883,000	1.14%	2023	3,215,000	-	575,000	2,640,000
Total Governmental Activities					\$ 25,027,228	\$ -	\$ 2,466,634	\$ 22,560,594

D. Debt (Continued)

<u>Business Type Activities:</u>		Original	Interest Rates		Balance			Balance
<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Borrowing</u>	<u>to Maturities</u>	<u>Final Maturity</u>	<u>July 1, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30, 2015</u>
Electric Light Department - Refunding	2007	1,248,000	3.72%	2018	\$ 667,333	\$ -	\$ 136,933	\$ 530,400
Water - Ultrafiltration #1	1999	1,485,000	4.25%	2015	125,000	-	125,000	-
Land Acquisition - Nashoba Rd - Water	2005	350,000	3.98%	2023	170,000	-	20,000	150,000
Water - Ultrafiltration #2 - Refunding	2007	414,225	3.49%	2017	135,000	-	45,000	90,000
Water Mains - Capital	2010	191,088	3.49%	2029	150,000	-	10,000	140,000
Water Equipment - Ozone Generator	2010	86,099	1.82%	2018	30,000	-	10,000	20,000
Water Tank-Refunding	2013	652,000	1.31%	2023	575,000	-	75,000	500,000
Water Capital Improvement	2015	274,200	3.00%-3.25%	2035	-	274,200	-	274,200
Well Redevelopment	2015	3,720,000	3.00%-3.25%	2035	-	3,720,000	-	3,720,000
Water Cobbs Well	2015	178,800	3.00%	2032	-	178,800	-	178,800
Water Capital Improvement Well #2	2015	118,300	3.00%	2027	-	118,300	-	118,300
Well #2 Design	2015	194,700	3.00%-3.25%	2034	-	194,700	-	194,700
Total Business Type Activities					<u>\$ 1,852,333</u>	<u>\$ 4,486,000</u>	<u>\$ 421,933</u>	<u>5,916,400</u>

(b) Summary of Debt Service Requirements to Maturity

<u>Fiscal Year Ended</u>	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ -	\$ -	\$ 135,200	\$ 22,542	\$ 135,200	\$ 22,542
2016	2,393,368	762,553	529,467	170,596	2,922,835	933,149
2017	2,285,101	688,711	521,733	154,464	2,806,834	843,175
2018	2,155,734	620,910	465,000	139,505	2,620,734	760,415
2019	2,102,468	553,011	330,000	124,342	2,432,468	677,353
2020	1,778,503	491,004	320,000	115,330	2,098,503	606,334
2021-2025	7,266,963	1,635,215	1,420,000	441,759	8,686,963	2,076,974
2026-2030	4,233,457	473,633	1,160,000	249,913	5,393,457	723,546
2031-2035	345,000	14,100	1,035,000	81,395	1,380,000	95,495
Total	<u>\$22,560,594</u>	<u>\$5,239,137</u>	<u>\$5,916,400</u>	<u>\$1,499,846</u>	<u>\$28,476,994</u>	<u>\$6,738,983</u>

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2015, are as follows:

11/14/12	Road Program	\$1,000,000
05/06/13	Septic Loan Program	270,000
05/06/13	Church Meadows Land Purchase	300,000
05/05/14	Water Betterment Rt 119	870,000
05/05/14	Roadway Improvement	1,000,000
05/04/15	Roadway Improvement	<u>1,000,000</u>
	Total	<u>\$4,440,000</u>

D. Debt (Continued)

iii Refunding of Long Term Debt

On December 15, 2007, the Town issued \$4,670,000 of General Obligation Refunding Bonds with an average interest rate of 3.63% to 5.00% to advance refund \$4,420,000 of outstanding debt with interest rates from 4.80% to 7.00%. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased. The refunded debt will be paid at the end of fiscal year 2019.

<u>Fiscal Year</u>	New Bonds Principal & Interest	Old Bonds Principal & Interest	Annual Savings
2016	\$561,737	\$579,154	\$17,417
2017	506,639	528,002	21,363
2018	400,734	414,420	13,686
2019	<u>250,818</u>	<u>392,980</u>	<u>142,162</u>
Total	<u>\$1,719,928</u>	<u>\$1,914,556</u>	<u>\$194,628</u>

The net present value benefit as a result of the refunding issue is \$178,123.

On December 7, 2012, the Town of Littleton issued general obligation bonds in the amount of \$5,437,000 with an average interest rate of 1.43%, and utilized those proceeds along with \$8,169,365 from the Massachusetts School Building Authority to advance refund \$13,485,00 of debt that had an average interest rate of 4.91%. After paying issuance costs and other costs, the net proceeds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are matured in January of 2023. The advance refunding met the requirements of an in-substance debt defeasance and the refunded term bonds were removed from the town's financial statements.

The net present value benefit as a result of the refunding issue is \$2,576,302. The Town shared in the savings with the Massachusetts School Building Authority.

<u>Fiscal Year</u>	New Bonds Principal & Interest	Old Bonds Principal & Interest	<u>Change</u>
2016	\$774,712	\$1,910,724	\$1,136,012
2017	702,462	1,836,475	1,134,013
2018	630,862	1,767,476	1,136,614
2019	574,912	1,705,376	1,130,464
2020	503,100	1,636,376	1,133,276
2021	350,900	1,467,376	1,116,476
2022	279,200	1,403,376	1,124,176
2023	<u>193,800</u>	<u>1,309,375</u>	<u>1,115,575</u>
	<u>\$4,009,948</u>	<u>\$13,036,554</u>	<u>\$9,026,606</u>

A majority of the change (\$8,169,365) is related to the Massachusetts School Building Authority paying off their share of the principal of the refunded debt.

D. Debt (Continued)

iv Changes in Long Term Debt

Changes in the government's long-term liabilities for the year ended June 30, 2015 are as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
<u>Governmental Activities</u>					
Bonds Payable	\$ 25,027,228	\$ -	\$ (2,466,634)	\$ 22,560,594	\$ 2,393,368
Add: Unamortized Premium	453,026	-	(50,336)	402,690	50,336
Total Bonds Payable	25,480,254	-	(2,516,970)	22,963,284	2,443,704
Compensated Absences	295,985	109,690	(118,394)	287,281	114,912
Capital Leases Payable	14,625	-	(7,170)	7,455	7,455
Net Pension Liability	11,828,941	5,398	-	11,834,339	-
Benefits	12,426,966	3,081,979	(1,577,871)	13,931,074	-
Total Governmental Activities	\$ 50,046,771	\$ 3,197,067	\$ (4,220,405)	\$ 49,023,433	\$ 2,566,071
<u>Business Type Activities</u>					
Bonds Payable	\$ 1,852,333	\$ 4,486,000	\$ (421,933)	\$ 5,916,400	\$ 421,933
Plus: Premium	-	121,045	-	121,045	6,052
Less: Bond Discount	(19,794)	-	16,442	(3,352)	(813)
Total Bonds Payable	1,832,539	4,607,045	(405,491)	6,034,093	427,172
Compensated Absences	409,495	84,016	(111,323)	382,188	107,505
Capital Leases Payable	49,241	-	(15,776)	33,465	15,776
Net Pension Liability	1,335,602	611	-	1,336,213	-
Other Post Employment Benefits	912,015	425,257	(576,238)	761,034	-
Total Business Type Activities	\$ 4,538,892	\$ 5,116,929	\$ (1,108,828)	\$ 8,546,993	\$ 550,453

E. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds. Operating transfers made during the year were as follows:

Fund Financial Statements

	In	(Out)	Total
General Fund	\$ 749,518	\$ (829,000)	\$ (79,482)
Non-Major Governmental	995,381	(1,204,486)	(209,105)
Enterprise - Business Type	288,587	-	288,587
Total	\$ 2,033,486	\$ (2,033,486)	\$ -

IV Other Information

A. General Information about the Pension Plan

Plan Description

The Town provides pension benefits to eligible employees by contributing to the Middlesex County Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex County Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees (not including

teachers who are included in the Massachusetts Teachers' Retirement System). The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (M.G.L.). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex County Retirement System issues a stand-alone financial report that is available to the public at: <http://www.middlesexretirement.org/MCRS%20Final%20Audit%20Report%2012-31-14%20Financial%20Statements%20and%20GASB%2068.pdf> or by writing to the Middlesex County Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

Benefits Provided

The Middlesex County Retirement System provides retirement, disability and death benefits as detailed below:

Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the table below based on the age of the member at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	<u>Hired on or before April 1 2012</u>		
2.50%	65+	60+	55+
2.40%	64	59	54
2.30%	63	58	53
2.20%	62	57	52
2.10%	61	56	51
2.00%	60	55	50
1.90%	59	N/A	49
1.80%	58	N/A	48
1.70%	57	N/A	47
1.60%	56	N/A	46
1.50%	55	N/A	45

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the tables below based on the age of the member at retirement:

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
		<u>Hired after April 1 2012</u>	
2.50%	67+	62+	57+
2.35%	66	61	56
2.20%	65	60	55
2.05%	64	59	54
1.90%	63	58	53
1.75%	62	57	52
1.60%	61	56	51
1.45%	60	55	50

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Retirement Benefits - Superannuation

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members hired prior to April 2, 2012 who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55 (age 60 for Group 1 members hired on or after April 2, 2012), based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer who is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death. Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse will receive an allowance of \$9,000 per year if the member dies for a reason unrelated to cause of disability.

Contributions

Active members of the Middlesex County Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The contribution requirements are established by and may be amended by the Middlesex County Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contractually required contribution rate for the year ended June 30, 2015 was 16.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,711,410 for the year ending June 30, 2015.

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

At June 30, 2015, the Town's proportionate share of the net pension liability was \$19,021,595. The Electric Light Department is on a different fiscal year and will report its share of the liability (\$5,851,043) in its December 31, 2015 financial statements. 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 that date. Accordingly, update procedures were utilized to roll forward the liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2014, the Town's proportion was 1.583397%. Since this is the implementation year of GASB 68 the increase/decrease of its proportion measured as of December 31, 2013 was not calculated.

Chapter 176 of the Acts of 2011 was incorporated in this valuation, which changes many of the benefit features for members hired on or after April 2, 2012. In addition, the COLA base was increased to \$14,000 effective July 1, 2014.

For the year ended June 30, 2015, the Town recognized pension expense of \$1,720,089. Since the system performs an actuarial valuation bi-annually, there are not reported differences between expected and actual experience or a change of assumptions as of December 31, 2014. Additionally, the changes in proportion and differences between employer contributions and proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statements 67, 68 and 71. At June 30, 2015, 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	\$ -	\$ -
Change in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	44,477	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
	<u>\$ 44,477</u>	<u>\$ -</u>

Contributions made subsequent to the measurement date (deferred outflows of resources) are recognized as a reduction of the net pension liability in the next fiscal year. The Town did not have any deferred outflows of resources for contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2016	\$ 11,119
2017	11,119
2018	11,119
2019	11,120

Actuarial Assumptions

The total pension liability as of December 31, 2014 was determined by updating an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2014			
Actuarial Cost Method	Entry age normal cost method			
Amortization Method	Prior year's total contribution increased by 6.5% for fiscal year 2016 through fiscal year 2020, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI Liability amortized in level payments.			
Remaining Amortization Period	As of July 1, 2014, 5 years remaining for the 2002 ERI liability; 6 years remaining for the 2003 ERI liability; 8 years remaining for the 2010 ERI liability and 21 years for the remaining unfunded liability.			
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period as described by Revenue Procedure 2000-40. Asset value is adjusted to be within 20% of market value.			
Investment rate of return	7.875% (8% in previous valuation)			
Discount Rate	7.875% (previously 8.0%)			
Inflation	4.00%			
Projected Salary Increases	<u>Years of Service</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	0	6.00%	6.00%	7.00%
	1	5.50%	5.50%	6.50%
	2	5.50%	5.50%	6.00%
	3	5.25%	5.25%	5.75%
	4	5.25%	5.25%	5.25%
	5	4.75%	4.75%	5.25%
	6	4.75%	4.75%	4.75%
	7	4.50%	4.50%	4.75%
	8	4.50%	4.50%	4.75%
	9+	4.25%	4.50%	4.75%
Cost of Living Adjustments	3.00% of first \$14,000			
Mortality Rates were based on the tables noted below:				
Healthy:				
Pre-Retirement	RP-2000 Employee Mortality Table projected 22 years with Scale AA (previously projected 12 years with Scale AA)			
Post-Retirement	RP-2000 Healthy Annuitant Mortality Table projected 17 years with Scale AA (previously, projected 12 years with Scale AA)			
Disabled	RP-2000 Healthy Annuitant Mortality Table set forward three years projected 17 years with Scale AA (previously, set forward 2 years and projected 0 years)			

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The RP-2000 Employee Mortality Table projected 22 years with Scale AA and the RP-2000 Healthy Annuitant Mortality Table projected 17 years with Scale AA were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

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 real rates of return (expected returns, net of pension plan investment expense and inflation) 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 real rates of return 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 asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	19.60%	6.60%
International developed markets equity	15.60%	7.10%
International emerging markets equity	6.50%	9.40%
Core fixed income	15.30%	2.20%
High yield fixed income	8.30%	4.70%
Real estate	9.90%	4.40%
Commodities	3.90%	4.40%
Short-term government money market	0.00%	1.80%
Hedge fund, GTAA. Risk parity	9.80%	3.90%
Private equity	11.10%	11.70%
	<u>100%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2014 (net of investment expenses) was 7.54%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.875% (8.0 % in the previous valuation). The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Middlesex County Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary 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.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Middlesex County Retirement System, calculated using the discount rate of 7.875%, as well as what the Middlesex County Retirement System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.875%) or 1-percentage-point higher (8.875%) than the current rate:

	1% Decrease (6.875%)	Discount Rate (7.875%)	1% Increase (8.875%)
Town's proportionate share of the Net Pension Liability	\$23,001,141	\$19,021,595	\$15,633,471

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Middlesex County Retirement System financial report. The System issues a stand-alone financial report is available that can be obtained through the System's website at:

<http://www.middlesexretirement.org/MCRS%20Final%20Audit%20Report%2012-31-14%20Financial%20Statements%20and%20GASB%2068.pdf>.

c. Massachusetts Teachers Retirement System

Special Funding Situation

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*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a "special funding situation" according to GASB Statement # 68 *Accounting and Financial Reporting for Pensions*. Since the Town does not contribute to the MTRS it does not have a pension liability to report.

MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. 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. The MTRB includes 452 employers.

For the fiscal year ended June 30, 2014, the Town's proportionate share of the collective pension expense was \$1,707,029. The Town's proportionate share was based on its percentage share of covered payroll in the MTRS. Since this is the implementation year for GASB 68, the Town's percentage has not changed. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2015, or fund balance/net position at June 30, 2015.

The Commonwealth's proportionate share of the collective net pension liability associated with the Town is \$24,570,481.

The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at: <http://www.mass.gov/osc/docs/reports-audits/cafr/cafr-2014.pdf>.

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. All members of the MTRS are classified in Group 1. 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' contribution requirements 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.

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
1984-6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation
1979 to present	An additional 2% of regular compensation over \$30,000

Actuarial Assumptions

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

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

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

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Global Equity	43.00%	7.20%	7.70%
Core fixed income	13.00%	2.50%	2.00%
Hedge Funds	10.00%	5.50%	4.75%
Private Equity	10.00%	8.80%	9.00%
Real estate	10.00%	6.30%	6.00%
Value Added Fixed Income	10.00%	6.30%	6.30%
Timber/Natural Resources	4.00%	5.00%	5.00%
	<u>100%</u>		

Discount Rate

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

Since the Town is not responsible for its proportionate share of the collective net pension liability, a sensitivity analysis of the discount rate is not required.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts financial report. The financial report is available on the internet at <http://www.mass.gov/osc/docs/reports-audits/cafr/cafr-2014.pdf>.

Based upon updated actuarial information, the Commonwealth has adjusted certain information as previously reported in the Schedule of Changes in the Massachusetts Teachers' Retirement System's Collective Net Pension Liability and Related Ratios (changes in total pension liability) as contained in the required supplemental section of the Commonwealth's 2014 CAFR. The change resulted in a reduction of previously reported differences between expected and actual experience by \$85,597,000 which affected the following elements in the schedule of pension amounts as of and for the year ending June 30, 2014 (amounts in thousands):

Beginning total pension liability	\$(21,000)
Service cost	(26,337)
Interest on pension liability and benefit payments	<u>132,934</u>
Total adjustments	<u>\$85,597</u>

B. Other Postemployment Benefits (OPEB) Disclosures – GASB 43 and 45

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 43 and 45, is noted below. In addition, certain other Required Supplementary Information (RSI), required by GASB 43 and 45, is presented following the notes to the financial statements.

- a. **Plan Description.** Employees are eligible for continued medical coverage with the Town of Littleton after retirement if they have been employed by the Town for at least 10 years in a benefit eligible position. Currently there are approximately 355 active employees and 200 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.
- b. **Funding Policy.** For employees hired prior to July 1, 2010, the Town will contribute 70% of the premium. The retiree or surviving spouse will be responsible for the remaining 30%. For employees hired after July 1, 2010, the Town will contribute 50% of the premium. The retiree or surviving spouse will be responsible for the remaining 50%. Benefits paid by the Town are on a pay-as-you-go basis. However, contributions are made to an OPEB Trust. The contribution requirements of plan members and the Town are established by contractual negotiations and may be amended from time to time.
- c. **Annual OPEB Cost and OPEB Obligation.** The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the Town, an amount that has been actuarially determined in accordance with the parameters of GASB 43 and 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan, and the Town’s Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$3,721,816
Interest on Net OPEB Obligation	620,587
Adjustment to Annual Required Contribution	(835,167)
Annual OPEB Cost (Expense)	<u>3,507,236</u>
Employer Contributions:	
Estimated Employer Contributions for Insurance	(777,411)
Implicit Subsidy	(411,198)
OPEB Trust Contributions	(965,500)
Total Contributions	<u>(2,154,109)</u>
Increase in Net OPEB Obligation	1,353,127
Net OPEB Obligation (NOO)- Beginning of Year	13,338,981
Net OPEB Obligation (NOO)- End of Year	<u><u>\$14,692,108</u></u>

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

<u>Fiscal Year Ended June 30</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$4,193,241	48.4%	\$11,181,523
2014	\$4,335,445	50.5%	\$13,338,981
2015	\$3,507,236	61.4%	\$14,692,108

- d. **Funded Status and Funding Progress.** As of July 1, 2014, the most recent actuarial valuation date, the Town had begun a funding program. The Actuarial Accrued Liability (AAL) for benefits was \$35,503,646, and the actuarial value of assets was \$4,348,710, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$31,154,946. The actuarial value of the assets as a percentage of the Actuarial Accrued Liability (funded ratio) was 12.25%. The covered payroll as of the valuation date was \$18,204,495 and the UAAL as a percentage of covered payroll was 171.1%. **Subsequent to the most recent valuation date, the Town made contributions to and had earnings in the OPEB trust. The balance in the OPEB trust as of June 30, 2015, was \$5,581,887. The plan assets are recorded and reported in the Town's fiduciary fund financial statements and in the Town's enterprise fund financial statements.**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual 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 (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

- e. **Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members). The projections consider the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer 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, 2014, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5.50% investment rate of return (previously 4.50%) and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% in year four. The actuarial value of assets is determined using market value. The UAAL is being amortized over a thirty year open amortization period.

E. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

F. Subsequent Year Authorizations

On May 4, 2015 and November 2, 2014 the Town (including the Water Enterprise Fund) adopted a fiscal year 2016 operating and capital budget of \$43,959,138. Fiscal year 2016 budgetary amounts will be financed by the following sources:

2016 Property Taxes, State Aid and Other	
Estimated Revenues	\$ 38,010,300
Enterprise Fund Revenues	3,778,894
Enterprise Fund Retained Earnings	100,000
Community Preservation Fund	222,422
Restricted Fund Balance:	
Nonmajor Funds	589,546
Committed Fund Balance:	
General Fund	918,280
Nonmajor Funds	300,000
Unassigned Fund Balance:	
General Fund	39,696
	<u>\$ 43,959,138</u>

The Light Department is not subject to the appropriation process.

V. Commitment and Contingencies

Town of Littleton, acting through its Light Department, is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

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

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated

by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

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

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

Littleton Electric Light & Water has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

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

Total capital expenditures for MMWEC's Projects amounted to \$1,616,889,000, of which \$17,201,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply Project Revenue Bonds totaling \$167,110,000, of which \$1,068,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2014, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$152,675,000, of which \$948,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Littleton Electric Light & Water's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2014 and estimated for future years is shown below.

	<u>Annual Costs</u>
For years ended December 31,	
2015	\$441,000
2016	351,000
2017	140,000
2018	14,000
2019	-
TOTAL	<u><u>\$946,000</u></u>

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$1,957,000 and \$1,834,000 for the years ended December 31, 2014 and 2013, respectively.

LITTLETON ELECTRIC LIGHT DEPARTMENT
AS OF DECEMBER 31, 2014
(\$000)

<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	<u>TOTAL PROJECT EXPENDITURES TO DATE</u>	<u>PARTICIPANT'S SHARE</u>	<u>DEBT ISSUED & OUTSTANDING 12/31/2014</u>	<u>PARTICIPANT'S SHARE</u>	<u>TOTAL DEBT SERVICE ON BONDS OUTSTANDING</u>	<u>PARTICIPANT'S SHARE</u>
Stony Brook Peaking Project	3.0607	\$ 59,275	\$ 1,814	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.6654	174,109	2,900	-	-	-	-
Nuclear Mix No. 1 -SBK	1.7544	13,389	235	-	-	-	-
Nuclear Mix No. 1 -MLS	1.7544	120,498	2,114	-	-	-	-
Nuclear Project No.3 - MLS	0.7972	150,507	1,200	32,660	260	28,657	228
Nuclear Project No. 4-SBK	2.2220	345,196	7,670	32,260	717	28,671	637
Nuclear Project No. 5-SBK	0.9262	93,686	868	9,865	91	8,867	82
Wyman Project	4.5428	8,797	400	-	-	-	-
Project No. 6-SBK	-	651,432	-	92,325	-	86,480	1
TOTAL		\$ 1,616,889	\$ 17,201	\$ 167,110	\$ 1,068	\$ 152,675	\$ 948

<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	<u>OPERATION & MAINTENANCE 12/31/2013</u>	<u>PARTICIPANT'S SHARE</u>	<u>OPERATION & MAINTENANCE 12/31/2014</u>	<u>PARTICIPANT'S SHARE</u>
Stony Brook Peaking Project	3.0607	\$ 3,591	\$ 110	\$ 4,648	\$ 142
Stony Brook Intermediate Project	1.6654	21,672	361	32,241	537
Nuclear Mix No. 1 -SBK	1.7544	1,378	24	971	17
Nuclear Mix No. 1 -MLS	1.7544	11,868	208	8,743	153
Nuclear Project No.3 - MLS	0.7972	25,453	203	26,549	212
Nuclear Project No.4 - SBK	2.2220	34,522	767	30,617	680
Nuclear Project No.5 - SBK	0.9262	9,018	84	8,122	75
Wyman Project	4.5428	1,693	77	3,094	141
Project No. 6 - SBK	-	60,105	-	55,736	-
TOTAL		\$ 169,300	\$ 1,834	\$ 170,721	\$ 1,957

LITTLETON ELECTRIC LIGHT DEPARTMENT
AS OF DECEMBER 31, 2014
(\$000)

<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	2015 <u>ANNUAL COST</u>	<u>PARTICIPANT'S SHARE</u>	2016 <u>ANNUAL COST</u>	<u>PARTICIPANT'S SHARE</u>	2017 <u>ANNUAL COST</u>	<u>PARTICIPANT'S SHARE</u>
Stony Brook Peaking Project	3.0607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.6654	-	-	-	-	-	-
Nuclear Mix No. 1 -SBK	1.7544	-	-	-	-	-	-
Nuclear Mix No. 1 -MLS	1.7544	-	-	-	-	-	-
Nuclear Project No.3 - MLS	0.7972	14,311	114	9,182	73	3,492	28
Nuclear Project No. 4-SBK	2.2220	13,142	292	11,128	247	4,401	98
Nuclear Project No. 5-SBK	0.9262	3,821	35	3,370	31	1,559	14
Wyman Project	4.5428	-	-	-	-	-	-
Project No. 6-SBK	-	31,087	-	31,225	-	16,460	-
TOTAL		<u>\$ 62,361</u>	<u>\$ 441</u>	<u>\$ 54,905</u>	<u>\$ 351</u>	<u>\$ 25,912</u>	<u>\$ 140</u>

<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	2018 <u>ANNUAL COST</u>	<u>PARTICIPANT'S SHARE</u>	2019 <u>ANNUAL COST</u>	<u>PARTICIPANT'S SHARE</u>
Stony Brook Peaking Project	3.0607	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.6654	-	-	-	-
Nuclear Mix No. 1 -SBK	1.7544	-	-	-	-
Nuclear Mix No. 1 -MLS	1.7544	-	-	-	-
Nuclear Project No.3 - MLS	0.7972	1,672	13	-	-
Nuclear Project No.4 - SBK	2.2220	-	-	-	-
Nuclear Project No.5 - SBK	0.9262	117	1	-	-
Wyman Project	4.5428	-	-	-	-
Project No. 6 - SBK	-	3,980	-	3,728	-
TOTAL		<u>\$ 5,769</u>	<u>\$ 14</u>	<u>\$ 3,728</u>	<u>\$ -</u>

VI. Significant Commitments

Encumbrances

Encumbrances for open purchase are reported as Assigned Fund Balance unless the resources have already been restricted, committed or assigned for another purpose. The assigned fund balance in the Town's general fund includes encumbrances in the amount of 848,348.

VII. Prior Period Adjustment

Prior period adjustments were made on the Town's financial statements as follows:

Governmental Activities

Implementation of Governmental Accounting Standards Board Statement # 68	\$	(11,788,985)
Implementation of Governmental Accounting Standards Board Statement # 65		(181,417)
Record Capital Assets Acquired in Previous Year		2,267,254
Total Governmental Activities	\$	<u>(9,703,148)</u>

The net position previously reported was \$56,434,827. The net position after the adjustment was \$46,731,679.

Business Type Activities

Implementation of Governmental Accounting Standards Board Statement # 68		
Water Enterprise Fund	\$	(910,230)
Park and Recreation Enterprise Fund		(420,850)
Reflect Park and Recreation Compensated Absences at 7/1/14		(17,318)
Total Business Type Activities	\$	<u>(1,348,398)</u>

The net position previously reported was \$43,372,703. The net position after the adjustment was \$42,024,305.

VIII. Implementation of New GASB Pronouncements

During fiscal year 2015, the following GASB pronouncements were implemented:

- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. The implementation of this pronouncement required a restatement of prior net position to reflect the net pension liability as of July1, 2014, the recognition of the pension expense and the reporting of deferred outflows/inflows related to pensions. The notes to the financial statements and the Required Supplementary Information were enhanced to comply with Statement #68.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement #71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date*. The implementation of this pronouncement did not impact the financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement No. 72 *Fair Value Measurement and Application*, which is required to be implemented in fiscal year 2016.
- The GASB issued Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in fiscal year 2018.
- The GASB issued Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in fiscal year 2016.
- The GASB issued Statement No. 77 *Tax Abatement Disclosures*, which is required to be implemented in fiscal year 2017.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements. Management's current assessment is that GASB Statements #74 & 75 will have a significant impact on the Town's basic financial statements by recognizing the entire actuarially accrued liability and expense, related to the Town's Other Post-Employment Benefits.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Littleton, Massachusetts
Required Supplementary Information
General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Basis)
Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	
<u>Revenues</u>				
Property Taxes	\$ 30,069,946	\$ 30,069,946	\$ 30,193,350	\$ 123,404
Tax Liens	-	-	91,764	91,764
Excises	1,171,232	1,171,232	1,322,165	150,933
Penalties and Interest	100,000	100,000	86,800	(13,200)
Licenses and Permits	250,000	250,000	750,518	500,518
Fees and Departmental	100,000	100,000	188,989	88,989
Intergovernmental	4,832,306	4,832,306	5,035,855	203,549
Charges for Services	288,456	288,456	308,306	19,850
Fines and Forfeits	77,265	77,265	61,915	(15,350)
Earnings on Investments	60,000	60,000	94,216	34,216
In Lieu of Taxes	800,000	800,000	875,381	75,381
Special Assessments	16,588	16,588	13,756	(2,832)
Miscellaneous	-	-	17,466	17,466
Total Revenues	<u>37,765,793</u>	<u>37,765,793</u>	<u>39,040,481</u>	<u>1,274,688</u>
<u>Expenditures</u>				
Current:				
General Government	3,332,754	3,237,601	3,142,393	95,208
Public Safety	3,158,794	3,168,794	3,110,363	58,431
Education	17,617,493	17,597,493	17,591,437	6,056
Highway and Public Works	2,686,849	2,766,762	3,033,965	(267,203)
Health and Human Services	243,278	419,361	347,989	71,372
Culture and Recreation	531,190	531,415	505,429	25,986
Intergovernmental	1,052,115	1,052,115	1,040,000	12,115
Employee Benefits	6,453,147	6,342,079	5,356,781	985,298
Debt Service	3,507,738	3,507,738	3,306,098	201,640
Total Expenditures	<u>38,583,358</u>	<u>38,623,358</u>	<u>37,434,455</u>	<u>1,188,903</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(817,565)</u>	<u>(857,565)</u>	<u>1,606,026</u>	<u>2,463,591</u>
Other Financing Sources (Uses)				
Transfers In	749,518	749,518	749,518	-
Transfers Out	(1,026,976)	(1,026,976)	(960,476)	66,500
Free Cash	1,189,530	1,229,530	1,229,530	-
Other Available Funds	58,142	58,142	58,142	-
Budgetary Deficits Raised	(152,649)	(152,649)	(152,649)	-
Total Other Financing Sources (Uses)	<u>817,565</u>	<u>857,565</u>	<u>924,065</u>	<u>66,500</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,530,091</u>	<u>\$ 2,530,091</u>

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Littleton, Massachusetts' Proportionate Share of the Net Pension Liability
Middlesex County Retirement System
Last Ten Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Town's proportionate share of net pension liability (asset) (%)	1.583397%	<i>(Historical information prior to implementation of GASB 67/68 is not required)</i>								
Town's proportionate share of net pension liability (asset) (\$)	19,021,595									
Town's covered-employee payroll	10,367,883									
Town's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	183.47%									
Plan fiduciary net position as a percentage of the pension liability	47.65%									

** The amounts presented for each fiscal year were determined as of December 31.

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Littleton, Massachusetts' Contributions
Middlesex County Retirement System
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 1,711,410	\$ 1,608,260	\$ 1,463,427	\$ 1,397,434	\$ 2,129,329	\$ 1,391,083	\$ 1,404,964	\$ 1,276,500	\$ 1,171,886	\$ 1,037,884
Contributions in relation to the contractually required contribution	<u>(1,711,410)</u>	<u>(1,608,260)</u>	<u>(1,463,427)</u>	<u>(1,397,434)</u>	<u>(2,129,329)</u>	<u>(1,391,083)</u>	<u>(1,404,964)</u>	<u>(1,276,500)</u>	<u>(1,171,886)</u>	<u>(1,037,884)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	10,367,883	<i>(Historical information prior to implementation of GASB 67/68 is not required)</i>								
Contributions as a percentage of covered-employee payroll	16.51%									

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Littleton Massachusetts' Proportionate Share of the Collective Net Pension Liability
Massachusetts Teachers' Retirement System
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Town's proportionate share of the collective net pension liability (asset) (%)	0.00% <i>(Historical information prior to implementation of GASB 67/68 is not required)</i>									
Town's proportionate share of the collective net pension liability (asset) (\$)	\$ -									
State's proportionate share of the collective net pension liability (asset) associated with Town (\$)	\$ 24,570,481									
Total	<u>\$ 24,570,481</u>									
Town's covered-employee payroll	9,477,266									
Town's proportionate share of the collective net pension liability (asset) as a percentage of its covered-employee payroll	0.00%									
Plan fiduciary net position as a percentage of the pension liability	61.64%									
Town's expense and revenue recognized for Commonwealth support	<u>\$ 1,707,029</u>									

See Notes to the Required Supplementary Information

See Notes to the Required Supplementary Information

Town of Littleton, Massachusetts
Required Supplementary Information
Schedules of Funding Progress and Employer's Contributions - Other Post Employment Benefits
Fiscal Year Ended June 30, 2015

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b) - (a)</u>	Funded Ratio <u>(a) / (b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>[(b) - (a) / (c)]</u>
07/01/2010	\$900,000	\$33,816,740	\$32,916,740	2.66%	\$20,436,061	161.1%
07/01/2012	\$1,714,894	\$38,337,438	\$36,622,544	4.47%	\$20,975,350	174.6%
07/01/2014	\$4,348,710	\$35,503,656	\$31,154,946	12.25%	\$18,204,495	171.1%

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Since the valuation date, the Town has contributed to the Other Post Employment Benefits trust funds. As of June 30, 2015, the balance in the Town's OPEB Trust is \$5,581,887.

Schedule of Employer's Contributions

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual Required</u> <u>Contributions (ARC)</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2009	\$3,453,190	32%	\$2,346,554
2010	\$3,578,444	32%	\$4,768,814
2011	\$3,856,064	48.0%	\$6,773,076
2012	\$3,998,081	43.8%	\$9,019,459
2013	\$4,193,241	48.4%	\$11,181,523
2014	\$4,335,445	50.5%	\$13,338,981
2015	\$3,507,236	61.4%	\$14,692,108

See Notes to the Required Supplementary Information

Town of Littleton, Massachusetts
Required Supplementary Information - GASB 45
Valuation Details
Fiscal Year Ended June 30, 2015

Valuation Date - Town and Water Enterprise Fund	July 1, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	30 years on an open amortization period
Asset Valuation Method	Market Value

Actuarial Assumptions:

Investment Rate of Return	5.50 % (previously 4.50%)
Medical/Drug Cost Trend Rate	8.0% graded to 5.0% in year 4; previous report utilized 9.0% graded to 5.0% in year 5.
Consumer Price Index (CPI)	3% per year

Plan Membership:

Current retirees, beneficiaries, and dependents	200
Current active members	<u>355</u>
Total	<u>555</u>

Valuation Date - Light Enterprise Fund	January 1, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	Thirty year closed (28 years remaining)
Asset Valuation Method	Market Value

Actuarial Assumptions:

Investment Rate of Return	7.5%, pre-funding; (the same as in the previous report)
Medical/Drug Cost Trend Rate	7.0% graded to 5.0% in year 3; previous report utilized 7.0% graded to 5.0% after 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents	38
Current active members	<u>27</u>
Total	65

See Notes to the Required Supplementary Information

Town of Littleton, Massachusetts
Notes to the Required Supplementary Information
June 30, 2015

(A) Budgetary Information

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting is held to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations.

(B) Pension Plans

a. Plan Description

The Town provides pension benefits to eligible employees by contributing to the Middlesex County Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex County Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees (not including teachers who are included in the Massachusetts Teachers' Retirement System). The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The Town is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex County Retirement System issues a stand-alone financial report that is available to the public at: <http://www.middlesexretirement.org/MCRS%20Final%20Audit%20Report%2012-31-14%20Financial%20Statements%20and%20GASB%2068.pdf> or by writing to the to the Middlesex County Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

The Town, also, provides benefits to teachers through 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. The Commonwealth of Massachusetts is statutorily responsible for 100% of the actuarially determined employer contributions. Therefore, the Town has a special funding situation.

b. Funding Plan

Active members of the Middlesex County Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members are determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex County Retirement System with the approval of the Public Employee Retirement Administration Commission.

c. Changes in Benefit Terms

Chapter 176 of the Acts of 2011 was incorporated in this valuation, which changes many of the benefit features for members hired on or after April 2, 2012. In addition, the COLA base was increased to \$14,000 effective July 1, 2014.

d. Change in Assumptions

The following changes were effective January 1, 2014:

- The actuarial cost method was changed to better reflect the impact of the plan changes effective for employees hired on or after April 2, 2012.
- The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 12 years with Scale AA to the RP-2000 Employee Mortality Table projected 22 years with Scale AA.
- The mortality assumption for non-disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table projected 12 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected 17 years with Scale AA.
- The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward two years to the RP-2000 Healthy Annuitant Mortality Table set forward three years projected 17 years with Scale AA.
- The investment return assumption was lowered from 8.00% to 7.875%.
- The salary increase assumption was changed from level rates of 4.75% per year for Group 1 and Group 2 members and 5.25% per year for Group 4 members, including an allowance for inflation of 4.5% per year, to rates based on years of service with ultimate rates of 4.25% per year for Group 1 members, 4.5% per year for Group 2 members and 4.75% per year for Group 4 members, including an allowance for inflation of 4.0% per year.
- The assumed retirement age for inactive vested participants was changed from age 65 to age 60 for Group 1 and 2 members and remained the same at age 55 for Group 4 members hired prior to April 2, 2012. For participants hired April 2, 2012 or later, the assumption is 60 for Group 1 members, 55 for Group 2 members and 55 for Group 4 members.
- The administrative expense assumption was increased from \$3,100,000 for calendar 2012 to \$3,400,000 for calendar 2014.

e. Massachusetts Teachers Retirement System

Special Funding Situation

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*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a "special funding situation" according to GASB Statement # 68 *Accounting and Financial Reporting for Pensions*. Since the Town does not contribute to the MTRS it does not have a pension liability to report.

MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. 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. The MTRB includes 452 employers.

The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at: <http://www.mass.gov/osc/docs/reports-audits/cafr/cafr-2014.pdf>.

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. All members of the MTRS are classified in Group 1. 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' contribution requirements 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.

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

Actuarial Assumptions

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

f. Schedule of Town's Proportionate Share of the Net Pension Liability - Middlesex County Retirement System

The schedule details the Town's percentage of the collective net pension liability, the proportionate amount of the collective net pension liability, the Town's covered-employee payroll, the Town's proportionate share of the collective net pension liability as a percentage of the Town's covered-employee payroll and the plans fiduciary net position as a percentage of the total pension liability. As more information becomes available, this will be a ten year schedule.

g. Schedule of the Town's Contributions

The schedule details the Town's contractually required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered-employee payroll and the Town's contributions as a percentage of covered-employee payroll. As more information becomes available this will be a ten year schedule.

h. Schedule of Town's Proportionate Share of the Collective Net Pension Liability - Massachusetts Teachers' Retirement System

Since the Commonwealth of Massachusetts is statutorily responsible for 100% of the actuarially determined employer contribution, the Town has a special funding situation. Therefore, the Town does not recognize a net pension liability. This schedule provides information about the state's proportionate share of the collective net pension liability associated with the Town and the plans fiduciary net position as a percentage of the total pension liability. It, also, details the Town's revenue and expense recognized from the Commonwealth's support. As more information becomes available, this will be a ten year schedule.

(C) Other Postemployment Benefits (OPEB) Disclosures – GASB 43 and 45

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis.

- a. **Plan Description.** Employees are eligible for continued medical coverage with the Town of Littleton after retirement if they have been employed by the Town for at least 10 years in a benefit eligible position. Currently there are approximately 355 active employees and 200 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.
- b. **Funding Policy.** For employees hired prior to July 1, 2010, the Town will contribute 70% of the premium. The retiree or surviving spouse will be responsible for the remaining 30%. For employees hired after July 1, 2010, the Town will contribute 50% of the premium. The retiree or surviving spouse will be responsible for the remaining 50%. Benefits paid by the Town are on a pay-as-you-go basis. However, contributions are made to an OPEB Trust. The contribution requirements of plan members and the Town are established by contractual negotiations and may be amended from time to time.

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

To the Board of Selectmen
Town of Littleton
37 Shattuck Street
P.O. Box 1305
Littleton, MA 01460

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Littleton, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Littleton, Massachusetts' basic financial statements, and have issued our report thereon dated March 10, 2016. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The financial statements of Electric Light Department and the Water enterprise fund were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Electric Light Department or Water enterprise fund.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Littleton, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 10, 2016