

TOWN OF HALIFAX, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2015

TOWN OF HALIFAX, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
AND MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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Lynch, Malloy, Marini, LLP

Certified Public Accountants & Advisors

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INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Selectmen
Town of Halifax, Massachusetts

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 Halifax, Massachusetts (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Halifax, Massachusetts, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii – ix and schedule of funding progress, other post-employment benefits ("OPEB") plan, the schedule of pension contributions and the budgetary comparison on pages 39-44 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 29, 2016, on our consideration of the Town of Halifax, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Halifax, Massachusetts's internal control over financial reporting and compliance.



Norwell, Massachusetts
March 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

As management of the Town of Halifax (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015.

Financial Highlights:

- The assets and deferred outflows of the Town exceeded its liabilities at the close of the most recent fiscal year by \$23.8 million (net position). Of this amount, there is a deficit of approximately \$9.5 million (unrestricted net position), primarily due to reporting of net Other Post-Employment Benefits ("OPEB") obligation (\$5.0 million) and net pension liability (\$8.9 million).
- The total cost of all Town services for fiscal year 2015 was \$24.4 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$1.1 million or approximately 5% of general fund expenditures.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. Required supplementary information as mandated by the Governmental Accounting Standards Board ("GASB") is presented following the financial statements and related notes to provide additional analysis. GASB required implementation of Statement #68, Accounting and Financial Reporting for Pensions, which had a significant impact upon the Town's net position.

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

The *statement of net position* presents information on all of the Town's assets, deferred outflows of resources and liabilities, with the remaining balance 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 is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, education, public works, health and human services, culture and recreation, and general administrative services. The Town's business-type activities include the water activities.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Solid Waste Fund, and Road Repair Fund (Chapter 90 Highway) all of which are considered to be major funds. The remaining funds are combined into an aggregate fund in this presentation. Individual fund data for each of these non-major governmental funds is available from the Town Accountant's office. The basic governmental fund financial statements can be found in the accompanying pages of this report.

Proprietary funds: The Town of Halifax maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses a proprietary fund to account for its water activities.

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 water operations. The basic proprietary fund financial statements can be found in the accompanying pages of this report.

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 statement because the resources of those funds are not available to support the Town's programs.

The Town's fiduciary funds are private purpose trust funds, Other Post-Employment ("OPEB") trust fund and agency funds. The private purpose trust funds and other post-employment benefits trust fund account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing town services, they are excluded from the Town's government-wide financial statements.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

The basic fiduciary fund financial statements can be found in the accompanying pages of this report.

The Agency fund is used to hold funds on the behalf of parties other than the Town including federal and state agencies. Agency funds are custodial in nature and do not involve measurement of results of operations.

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

Required supplementary information: Government Accounting Standards require the presentation of the schedules of pension contributions, schedule of funding progress Other Post-Employment Benefit ("OPEB") plans, as well as certain budgetary comparison schedules and related notes following the Town's basic financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Halifax, assets and deferred outflows exceeded liabilities by \$23.8 million (\$15.0 and \$8.8 million for the governmental and business-type activities, respectively), at the close of the most recent fiscal year. With the implementation of GASB #68, beginning net position has been restated, prior year amounts have not been restated for the purposes of the following schedules. The following tables demonstrate the net position of the Town:

	FY 2015	FY 2014	FY 2015	FY 2014
	Governmental	Governmental	Business-type	Business-type
	Activities	Activities	Activities	Activities
Current assets	\$ 9,890,642	\$ 9,533,906	\$ 1,810,407	\$ 1,561,059
Capital assets	<u>22,501,504</u>	<u>22,693,911</u>	<u>8,101,716</u>	<u>8,305,985</u>
Total assets	32,392,146	32,227,817	9,912,123	9,867,044
Deferred outflows of resources	<u>413,764</u>	<u>-</u>	<u>26,410</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 32,805,910</u>	<u>\$ 32,227,817</u>	<u>\$ 9,938,533</u>	<u>\$ 9,867,044</u>
Current liabilities	\$ 1,593,533	\$ 1,354,532	\$ 162,055	\$ 134,255
Long-term liabilities	<u>16,218,938</u>	<u>6,797,138</u>	<u>990,244</u>	<u>479,278</u>
Total liabilities	17,812,471	8,151,670	1,152,299	613,533
Net position:				
Net investment in capital assets	21,646,504	21,613,911	7,801,716	7,930,985
Restricted	3,813,245	3,393,732		
Unrestricted	<u>(10,466,310)</u>	<u>(931,496)</u>	<u>984,518</u>	<u>1,322,526</u>
Total net position	<u>14,993,439</u>	<u>24,076,147</u>	<u>8,786,234</u>	<u>9,253,511</u>
Total liabilities and net position	<u>\$ 32,805,910</u>	<u>\$ 32,227,817</u>	<u>\$ 9,938,533</u>	<u>\$ 9,867,044</u>

See Independent Auditors' Report

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

Included within the governmental activities current assets are \$5.6 million in cash, \$867,000 in investments and \$3.4 million in receivables. Governmental activities noncurrent liabilities include \$782,000, net in general obligation bonds (\$245,400 is classified as current because it is due within the next fiscal year). In addition, other liabilities include \$400,000, net (\$20,000 current) for landfill closure and monitoring, \$996,000 for compensated absences, \$8.9 million for pension obligation liability and \$5.1 million for other post-employment benefits ("OPEB") obligation.

Business-type activities noncurrent liabilities include \$225,000, net in bonds payable (\$75,000 is classified as current because it is due during the next fiscal year), \$10,600 liability for compensated absences, \$571,000 for pension obligation liability and \$184,000 for other post-employment benefits ("OPEB") obligation.

The largest portion of the Town's combined net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding, of \$29.4 million. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's combined net position \$3.8 million represents resources that are subject to restrictions placed on how they may be used. The remaining balance of unrestricted net position, is in a deficit of \$9.5 million.

At the end of the current fiscal year, the Town reported a deficit balance of \$10.5 million in the unrestricted governmental activities net position, and a balance of \$985,000 in the unrestricted business-type activities net position. Negative unrestricted net position is a direct result of other post-employment benefits ("OPEB") obligations and pension obligation liability of \$5.1 million and \$8.9 million, respectively.

Governmental activities decreased the Town's net position by \$568,000 during fiscal year 2015. Business-type activities increased net position by \$76,000. A summary of revenues and major functional expenditures is presented below.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

	FY 2015 Governmental <u>Activities</u>	FY 2014 Governmental <u>Activities</u>	FY 2015 Business-Type <u>Activities</u>	FY 2014 Business-Type <u>Activities</u>
Revenues:				
Charges for services	\$ 1,224,832	\$ 1,114,780	\$ 921,937	\$ 939,286
Operating grants and contributions	5,206,716	5,090,797		
General revenues:				
Property taxes	14,435,723	13,895,169		
Excise taxes	1,035,562	892,874		
Penalties and interest	184,983	138,819	100	400
Grants and contributions not				
Restricted	902,915	881,822		
Investment income	5,473	2,046	1,458	1,213
Miscellaneous	-	73,920		
Loss on disposal of capital assets	-	(29,770)		
Transfers, net	<u>(46,200)</u>	<u>(29,228)</u>	<u>-</u>	<u>(5,772)</u>
Total revenues and transfers	22,950,004	22,031,229	923,495	935,127
Expenses:				
General government	5,020,816	5,475,918		
Public safety	2,798,940	2,777,503		
Education	12,166,306	11,813,999		
Public works	2,198,974	2,296,603	847,284	871,896
Health and human services	536,677	514,137		
Culture and recreation	625,671	428,184		
Interest on long-term debt	42,330	51,930		
State and county charges	<u>128,349</u>	<u>114,804</u>	<u>-</u>	<u>-</u>
Total expenses	<u>23,518,063</u>	<u>23,473,078</u>	<u>847,284</u>	<u>871,896</u>
Change in net position	<u>\$ (568,059)</u>	<u>\$ (1,441,849)</u>	<u>\$ 76,211</u>	<u>\$ 63,231</u>

Key elements of the changes in net position are as follows:

Revenues:

- ◆ Property taxes represent approximately 63% of the Town's governmental activity revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, and new growth.
- ◆ Operating grants and contributions make up the second largest revenue representing approximately 23% of the Town's governmental activity revenue. Included in this amount are intergovernmental revenues from the Commonwealth of Massachusetts and the federal government classified as program revenues.

Expenses:

- ◆ Employee wages increased nominally, resulting from negotiated step and general wage increases.
- ◆ General government expenses include approximately \$653,000 for other post employment benefits and \$433,000 for pension obligation liability.

See Independent Auditors' Report

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

- ◆ General government expenses decreased from \$5.4 million in 2014 to \$5.0 million in 2015 due primarily to the reduction in the Massachusetts Teacher's Retirement System on behalf payment amount of \$1.1 million in fiscal year 2014 and \$580,000 in fiscal year 2015 calculated pursuant to GASB Statement #68.
- ◆ Educational expenses increased during the current year due to an increase in the assessments from Silver Lake Regional School District to \$4.7 million from \$4.6 million in the prior year, increases in special needs expenses and higher salaries and wages.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The general fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$5.2 million, a decrease of \$47,000 from the prior year. The governmental funds' combined ending fund balances were reported in the following classifications: restricted fund balance of \$2.8 million, committed fund balance of \$1.3 million, assigned fund balance of \$43,000 and unassigned fund balance of \$969,000.

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$2.5 million, a decrease of about \$407,000 from the previous year. Committed fund balance of \$1.3 million and assigned fund balance of \$43,000 million represent 53% and 2% of total general fund balance respectively. Unassigned fund balance of \$1.1 million represents 45% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. General fund unassigned fund balance represents approximately 5% and of total general fund expenditures, while total general fund balance represents 12% of the same amounts.

General Fund Budgetary Highlights

The Town adopts an annual budget for its general fund, solid waste fund, and water fund. A budgetary comparison statement has been provided for the general fund and solid waste fund to demonstrate compliance with the budget.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

The difference between the original general fund expenditure budget of \$21.2 million and the final amended expenditure budget of \$20.3 million can be briefly summarized as follows:

- ◆ Encumbrances and continuing appropriations (warrant articles) of \$813,000 were reduced from the original budget into future periods, and other transfers and legislative adjustments were recorded during the year.

Capital Asset and Debt Administration

The Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

Capital assets - The Town's investment in capital assets for governmental activities as of June 30, 2015 amounts to \$22.5 million, which is net of accumulated depreciation of \$26.3 million. The Town's investment in capital assets for business-type activities as of June 30, 2015, amounts to \$8.1 million, which is net of accumulated depreciation of \$5.3 million. Capital asset investment includes land; buildings; improvements; equipment, machinery and vehicles; and infrastructure. The table below represents a summary of the Town's capital assets, net of accumulated depreciation by category (in thousands):

Capital assets	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 3,684	\$ 3,684	\$ 626	\$ 626
Buildings and related improvements	4,084	4,317	14	15
Improvements other than buildings	717	784		
Equipment, machinery, vehicles	1,036	1,116	90	101
Infrastructure	<u>12,981</u>	<u>12,793</u>	<u>7,372</u>	<u>7,564</u>
	<u>\$ 22,502</u>	<u>\$ 22,694</u>	<u>\$ 8,102</u>	<u>\$ 8,306</u>

The Town's major changes to governmental activities capital assets during 2015 consisted of purchases of equipment and vehicles approximating \$203,000 and building and related improvements of approximately \$111,000 and improvements to infrastructure of \$856,000.

Long-term debt - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$1.0 million and \$300,000 for the governmental and business-type activities, respectively. All debt is a general obligation of the Town. The Town maintains an Aa3 rating from Moody's Investor Service.

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

Town of Halifax,
Attn: Town Accountant
499 Plymouth Street.
Halifax, MA 02338-1338.

See Independent Auditors' Report

BASIC FINANCIAL STATEMENTS

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Net Position

June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,590,883	\$ 1,526,940	\$ 7,117,823
Investments	867,209		867,209
Receivables, net of allowance for uncollectibles	3,432,550	283,467	3,716,017
Capital assets, net of accumulated depreciation	22,501,504	8,101,716	30,603,220
Total assets	<u>32,392,146</u>	<u>9,912,123</u>	<u>42,304,269</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Net difference between projected and actual pension earnings	413,764	26,410	440,174
Total assets and deferred outflows of resources	<u><u>\$ 32,805,910</u></u>	<u><u>\$ 9,938,533</u></u>	<u><u>\$ 42,744,443</u></u>
<u>LIABILITIES</u>			
Accounts payable	\$ 980,859	\$ 81,755	\$ 1,062,614
Accrued interest payable	11,900	5,300	17,200
Provision for refund of paid taxes	329,703		329,703
Other liabilities	5,671		5,671
Noncurrent liabilities			
Due within one year	265,400	75,000	340,400
Due in more than one year	16,218,938	990,244	17,209,182
Total liabilities	<u>17,812,471</u>	<u>1,152,299</u>	<u>18,964,770</u>
<u>NET POSITION</u>			
Net investment in capital assets	21,646,504	7,801,716	29,448,220
Restricted	3,813,245		3,813,245
Unrestricted	(10,466,310)	984,518	(9,481,792)
Total net position	<u>14,993,439</u>	<u>8,786,234</u>	<u>23,779,673</u>
Total liabilities and net position	<u><u>\$ 32,805,910</u></u>	<u><u>\$ 9,938,533</u></u>	<u><u>\$ 42,744,443</u></u>

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

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Primary Government		Totals
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 5,020,816	\$ 124,073	\$ 716,470	\$	\$ (4,180,273)	\$	\$ (4,180,273)
Public safety	2,798,940	456,591	612,155		(1,730,194)		(1,730,194)
Education	12,166,306	64,512	3,185,476		(8,916,318)		(8,916,318)
Public works	2,198,974	357,731	498,239		(1,343,004)		(1,343,004)
Health and human services	536,677	45,862	135,339		(355,476)		(355,476)
Culture and recreation	625,671	176,063	59,037		(390,571)		(390,571)
Interest on long-term debt	42,330				(42,330)		(42,330)
State and county charges	128,349				(128,349)		(128,349)
Total governmental activities	23,518,063	1,224,832	5,206,716		(17,086,515)		(17,086,515)
Business-type activities							
Water	847,284	921,937				74,653	74,653
Total business-type activities	847,284	921,937				74,653	74,653
Total primary government	\$ 24,365,347	\$ 2,146,769	\$ 5,206,716	\$	(17,086,515)	74,653	(17,011,862)
General revenues							
Property taxes and payments in lieu					14,435,723		14,435,723
Excise taxes					1,035,562		1,035,562
Penalties and interest on taxes					184,983	100	185,083
Grants and contributions not restricted to specific programs					902,915		902,915
Investment income					5,473	1,458	6,931
Transfers out					(46,200)		(46,200)
Total general revenues and transfers					16,518,456	1,558	16,520,014
Change in net position					(568,059)	76,211	(491,848)
Net position - beginning of year - restated					15,561,498	8,710,023	24,271,521
Net position - end of year					\$ 14,993,439	\$ 8,786,234	\$ 23,779,673

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

TOWN OF HALIFAX, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2015

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Road Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 2,759,167	\$ 557,122	\$	\$ 2,274,594	\$ 5,590,883
Investments	867,209				867,209
Receivables	3,004,505	58,353	874,011	52,381	3,989,250
Total assets	<u>\$ 6,630,881</u>	<u>\$ 615,475</u>	<u>\$ 874,011</u>	<u>\$ 2,326,975</u>	<u>\$ 10,447,342</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 843,615	\$ 18,632	\$	\$ 118,612	\$ 980,859
Provision for refund of paid taxes	329,703				329,703
Other liabilities	5,671				5,671
Total liabilities	<u>1,178,989</u>	<u>18,632</u>	<u></u>	<u>118,612</u>	<u>1,316,233</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred revenue	2,963,931	58,353	874,011	52,381	3,948,676
Total deferred inflows of resources	<u>2,963,931</u>	<u>58,353</u>	<u>874,011</u>	<u>52,381</u>	<u>3,948,676</u>
<u>FUND BALANCES</u>					
Restricted		538,490		2,304,687	2,843,177
Committed	1,327,436				1,327,436
Assigned	42,609				42,609
Unassigned	1,117,916			(148,705)	969,211
Total fund balances	<u>2,487,961</u>	<u>538,490</u>	<u></u>	<u>2,155,982</u>	<u>5,182,433</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,630,881</u>	<u>\$ 615,475</u>	<u>\$ 874,011</u>	<u>\$ 2,326,975</u>	<u>\$ 10,447,342</u>
Amounts reported for governmental activities in the statement of net position are different because:					
Total fund balances of governmental funds					\$ 5,182,433
Certain deferred outflows of resources associated with pension obligation are not reported in fund basis accounting.					413,764
Capital assets used in governmental activities are not financial resources and not reported in funds.					22,501,504
Certain deferred inflows of resources are accrued as revenue on the full accrual basis and not in funds.					3,948,676
Reporting of assets on a full accrual basis requires an estimate for uncollectable accounts.					(556,700)
Long-term liabilities are not due and payable in the current period and are not included in funds.					(16,484,338)
Reporting of liabilities on full accrual basis requires associated interest be accrued, reported net of subsidies.					(11,900)
Net position of governmental activities					<u>\$ 14,993,439</u>

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Solid Waste Fund	Road Repair Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes and payments in lieu	\$ 14,321,920	\$	\$	\$	\$ 14,321,920
Excise taxes	989,435				989,435
Licenses and permits	157,633			115,810	273,443
Penalties and interest	180,831			4,152	184,983
Investment income	4,427	508		538	5,473
Charges for services	203,688	336,546		75,455	615,689
Contributions				59,932	59,932
Departmental and other	87,660			193,669	281,329
Intergovernmental	4,305,348		485,802	1,310,587	6,101,737
Total revenues	20,250,942	337,054	485,802	1,760,143	22,833,941
Expenditures					
Current:					
General government	4,294,986			44,194	4,339,180
Public safety	2,454,119			169,115	2,623,234
Education	11,278,038			716,909	11,994,947
Public works	1,349,943	335,838	485,802	162,418	2,334,001
Human services	483,470			28,245	511,715
Culture and recreation	365,853			247,258	613,111
State and county assessments	128,349				128,349
Debt service	270,130			20,400	290,530
Total expenditures	20,624,888	335,838	485,802	1,388,539	22,835,067
Revenues over (under) expenditures	(373,946)	1,216		371,604	(1,126)
Other financing sources (uses)					
Transfers in from other funds	54,381	600		40,591	95,572
Transfers out to other funds	(87,430)	(6,666)		(47,676)	(141,772)
Total other financing sources (uses)	(33,049)	(6,066)		(7,085)	(46,200)
Revenues and other financing sources over (under) expenditures and other financing uses	(406,995)	(4,850)		364,519	(47,326)
Fund balance, beginning of year	2,894,956	543,340		1,791,463	5,229,759
Fund balance, end of year	\$ 2,487,961	\$ 538,490	\$	\$ 2,155,982	\$ 5,182,433

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

TOWN OF HALIFAX, MASSACHUSETTS
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2015

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (47,326)
Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.	
Capital outlays during the fiscal year, net of disposals	1,168,945
Depreciation recorded for the fiscal year	(1,361,352)
Certain deferred outflows of resources are recognized on the government-wide basis to be amortized over future periods.	
Net difference between projected and actual pension earnings.	413,764
Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.	
Net change in deferred revenue	220,662
Net change in allowance for uncollectible accounts	(58,401)
The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net position in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.	
Principal payments on long-term debt	245,400
The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt when incurred and revenue on subsidies when earned.	
Net change in accrued interest expense	2,800
Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:	
Landfill post closure and monitoring liability	20,000
Other post employment benefits liability	(653,466)
Pension obligation	(433,085)
Compensated absences	(86,000)
Change in net position of governmental activities	<u>\$ (568,059)</u>

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

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Net Position - Proprietary Funds

June 30, 2015

	<u>Business-Type Activities</u>	
	<u>Water</u>	
	<u>Enterprise</u>	
<u>ASSETS</u>		
Cash and cash equivalents	\$	1,526,940
Receivables, net of allowance for uncollectibles		283,467
Capital assets, net of accumulated depreciation		8,101,716
Total assets		9,912,123
<u>DEFERRED OUTFLOWS</u>		
Deferred outflows of resources - pension		26,410
Total assets and deferred outflows of resources	\$	9,938,533
<u>LIABILITIES</u>		
Accounts payable	\$	81,755
Accrued interest payable		5,300
Noncurrent liabilities:		
Due within one year		75,000
Due in more than one year		990,244
Total liabilities		1,152,299
<u>NET POSITION</u>		
Net investment in capital assets		7,801,716
Unrestricted		984,518
Total net position		8,786,234
Total liabilities and net position	\$	9,938,533

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

TOWN OF HALIFAX, MASSACHUSETTSStatement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2015

	<u>Business-Type Activities</u>
	Water
	<u>Enterprise</u>
Operating revenues	
Charges for service	\$ 850,941
Penalties and interest	100
Total operating revenues	<u>851,041</u>
Operating expenses	
Salaries, wages and employee benefits	330,195
Operating expenses	296,420
Depreciation and amortization	204,269
Total operating expenses	<u>830,884</u>
Operating income	20,157
Non operating revenues (expenses)	
Investment income	1,458
Other income - water tower lease	70,996
Interest expense	(16,400)
Total non operating revenue (expenses), net	<u>56,054</u>
Change in net position	76,211
Net position at beginning of year -restated	<u>8,710,023</u>
Net position at end of year	<u><u>\$ 8,786,234</u></u>

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2015

	<u>Business-Type Activities</u>
	<u>Water</u>
	<u>Enterprise</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 792,301
Payments to vendors	(267,320)
Payments to employees, including fringe benefits	(314,127)
Net cash provided by operating activities	210,854
Cash flows from noncapital financing activities	
Water tower lease	70,996
Net cash provided by non capital financing activities	70,996
Cash flows from capital and related financing activities	
Principal payments on bonds and notes	(75,000)
Interest expense	(17,700)
Net cash used for capital and related financing activities	(92,700)
Cash flows from investing activities	
Investment income	1,458
Net cash provided by investing activities	1,458
Net change in cash and cash equivalents	190,608
Cash and cash equivalents at beginning of year	1,336,332
Cash and cash equivalents at end of year	\$ 1,526,940
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income	\$ 20,157
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	204,269
Changes in assets and liabilities:	
User fees receivable, net of allowance for collectibles	(58,740)
Accounts payable	29,100
Accrued compensated absences	1,000
Net other post employment benefits obligation	(26,410)
Net pension liability	27,644
Other post employment benefits	13,834
Total adjustments	190,697
Net cash provided by operating activities	\$ 210,854

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2015

	<u>OPEB</u> <u>Trust Fund</u>	<u>Private Purpose</u> <u>Trust Funds</u>	<u>Agency</u> <u>Accounts</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 141,174	\$ 6,999	\$ 491,705
Total assets	<u>\$ 141,174</u>	<u>\$ 6,999</u>	<u>\$ 491,705</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	<u>\$</u>	<u>\$</u>	<u>\$ 491,705</u>
Total liabilities			491,705
<u>NET POSITION</u>			
Amounts held in trust	<u>141,174</u>	<u>6,999</u>	
Total liabilities and net position	<u>\$ 141,174</u>	<u>\$ 6,999</u>	<u>\$ 491,705</u>

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2015

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions:		
Interest	\$ 383	\$ 26
Transfers	<u>35,000</u>	<u></u>
Change in net position	35,383	26
Net position at beginning of year	<u>105,791</u>	<u>6,973</u>
Net position at end of year	<u><u>\$ 141,174</u></u>	<u><u>\$ 6,999</u></u>

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 1. Organization and Reporting Entity

A. Organization

The Town of Halifax, Massachusetts (the “Town”), was incorporated in 1734. The Town operates under a Town Meeting form of government. The Town’s major operations include education, police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates a water system, and a recycling facility.

B. Reporting Entity

General

The accompanying financial statements present the Town of Halifax (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. Pursuant to these criteria, the Town of Halifax did not identify any component units requiring inclusion in the accompanying financial statements.

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town’s joint ventures, their purpose, and the annual assessment paid by the Town. Financial statements may be obtained from each the joint ventures by contacting each of them directly. The Town does not have an equity interest in the joint venture.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2015 Assessment</u>
Silver Lake Regional School District 130 Pembroke Street, Kingston, MA	To provide secondary education	\$ 4,716,748
Mayflower Municipal Health Group P.O. Box 3390, Plymouth, MA	To provide employee health benefits	\$ 1,746,657
Plymouth County Retirement Association Plymouth, MA	To provide employee pension benefits	\$ 934,616
Massachusetts Bay Transit Authority 45 High St., Boston, MA	To provide regional transportation services	\$ 49,218

The Silver Lake Regional School District (the “District”) is governed by an elected School Committee. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs.

Related Organizations

The Halifax Housing Authority is a public body, politic and corporate organized and existing under Massachusetts General Laws, Chapter 121B and thus, the Town has no accountability for this organization. The Board of Commissioners, four who are elected and the fifth appointed by the Commonwealth are legally responsible for the overall operation.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town is discussed below.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's education, police and fire protection, parks, library and recreation, public works, schools, and general administrative services are classified as governmental activities. The Town's water operations are classified as business-type activities.

Government-wide Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue. Certain costs, such as pension benefits, property, liability and health insurance, state assessments, among others are not allocated among the Town's functions and are included in general government expenses in the Statement of Activities.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred inflows, liabilities, deferred outflows, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds

- General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- Solid waste fund is used to account for activity related to the Town's residential curbside pick-up and recycling programs.
- Road repair fund is used to account for activity related to roadway projects reimbursed by the Commonwealth in accordance with Massachusetts General Law Chapter 90, Section 34.

Other governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the other governmental funds column of the governmental funds financial statements. The following describes the general use of these fund types:

- Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Debt service funds are used to account for and report resources that are restricted, committed, or assigned to the expenditure for principal and interest and the accumulation of funds for the periodic payment of principal and interest on general long-term debt also for financial resources that are being accumulated for principal and interest maturing in future years. Currently, the Town does not utilize a debt service fund.
- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction major capital facilities and other capital assets (other than those financed by business-type/proprietary funds). Although the water fund is treated as an enterprise fund, the Town has elected to include the water fund capital project separately as a capital project fund.
- Permanent funds are used to account for and report financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs. Although debt related to the water fund is not secured solely with water fund net revenues, the Town has decided to report it as an enterprise fund.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. Currently, the Town does not utilize internal service funds.

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Other Post-Employment Benefit trust fund accounts for resources legally held in trust for the providing health insurance benefits to retired employees of the Town and are not subject to creditors of the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements. This fund was established pursuant to the provisions of MGL Chapter 32B, section 20 which allows for establishment of a trust fund for other post-employment benefits.
- Agency funds are used to hold funds on behalf of parties other than the Town, federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB pronouncement sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

B. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurement and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and property tax revenues are considered available if they are collected within 60 days after fiscal year end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

C. Cash and Cash Equivalents

The Town has not adopted formal deposit and investment policies. The Town Treasurer manages funds pursuant to Massachusetts General Laws.

For the purpose of the Statement of Net Position, and proprietary funds Statement of Cash Flows, "cash and cash equivalents" include all demand savings accounts. For the purposes of the Town's financial statements, certificates of deposits have been classified as cash equivalents and are reported at carrying value, which reasonably estimates fair value.

Investments are reported at fair value, which is determined using selected bases. Short-term investments with maturity dates of not more than ninety days from date of purchase are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. For the purposes of the Town's financial statements, certificates of deposits have been classified as cash equivalents and are reported at carrying value, which reasonably estimates fair value. Additional cash and investment information, and fair values are presented in these notes.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

D. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

E. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes and motor vehicle and boat excise three years or more years old as uncollectible for financial reporting purposes. The Town estimates 3% of outstanding water and 50% of ambulance charges to be uncollectible. Additionally, the Town considers ambulance charges three years or more years old as uncollectible for financial reporting purposes. Outstanding real estate taxes and septic betterments are secured by tax liens, and therefore considered to be fully collectable.

F. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Prior to July 1, 2002, governmental funds’ infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤ Buildings	40 years
➤ Building and land improvements	20 years
➤ Machinery and Equipment	5 – 10 years
➤ Infrastructure	50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

G. Deferred Outflows and Deferred Inflows

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on net position. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on net position. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

H. Liabilities

Liabilities represent present obligations to sacrifice resources for which the government has *little or no discretion to avoid*. The primary focus is on the obligation for the government to perform. The accounting treatment for these obligations depends on whether they are reported in the government-wide or fund financial statements.

Current liabilities are reported in both the fund and government-wide financial statements. Current liabilities represent obligations incurred in the operating cycle for acquisition goods, services, accruals for salaries and wages, and other obligations due or generally expected to be liquidated within one year from the balance sheet date.

Generally, all noncurrent (long term) liabilities are not reported as liabilities in the fund financial statements, but are reported in the government-wide statements. Such obligations consist primarily of bonds payable, capital leases, compensated absences, pension obligations and other post-employment obligations.

I. Compensated Absences

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

J. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- Restricted net position—Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

- Unrestricted net position—Represents the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting (the highest level of authority) and requires such action to remove the constraint.
- Assigned fund balance – consist of amounts that are constrained by the Town's intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations.
- Unassigned fund balance – represents the residual classification for the general fund. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

K. Use of Estimates

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

L. Total Columns

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

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 3. Stewardship, Compliance and Accountability

A. Property Tax Calendar and Limitations

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls ("new growth"). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

B. Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund, solid waste, and enterprise fund functions are budgeted; the Town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

C. Fund Equities

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2015, the classification of the Town's fund balances can be detailed as follows:

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

	General Fund	Solid Waste Fund	Other Governmental Funds	Total
Restricted:				
General government	\$	\$	\$ 133,545	\$ 133,545
Public safety			664,687	664,687
Education			44,531	44,531
Public works		538,490	407,953	946,443
Human services			122,532	122,532
Culture & recreation			666,809	666,809
Debt service	-	-	264,630	264,630
subtotal	-	538,490	2,304,687	2,843,177
Committed:				
General government	279,827			279,827
Public safety	341,498			341,498
Education	3,023			3,023
Public works	655,576			655,576
Human services	36,700			36,700
Culture & recreation	10,812	-	-	10,812
subtotal	1,327,436	-	-	1,327,436
Assigned:				
General government	2,989			2,989
Public safety	140			140
Education	39,480			39,480
Public works	-	-	-	-
subtotal	42,609	-	-	-
Unassigned	1,117,916	-	(148,705)	969,211
Total	<u>\$ 2,487,961</u>	<u>\$ 538,490</u>	<u>\$ 2,155,982</u>	<u>\$ 5,182,433</u>

At the annual Town meeting for the fiscal year 2016 budget, \$443,158 and \$85,100 of free cash and overlay surplus were appropriated for specific purposes, respectively. These amounts have been classified above as committed fund balance for the intended purpose. When applicable, other assigned fund balances represent appropriations of existing fund balance to fund the fiscal year 2016 operating budget.

The Town's stabilization funds are reported within the General fund since the fund is designed to maintain funds set aside by town meeting votes, and is not funded by a specific revenue source. In accordance with Massachusetts General Law Chapter 40, Section 5B, for the purpose of creating one or more stabilization funds, towns may appropriate in any year an amount not exceeding, in the aggregate, 10% of the amount raised in the preceding fiscal year by taxation of real estate and personal property and the aggregate amount in such funds may not exceed 10% of the equalized valuation. At annual or special town meetings the Town with two-thirds vote may create a stabilization fund, specify or change the purpose of any stabilization fund, and appropriate into or out of any such fund. The Town's stabilization funds and year end balances are as follows:

Stabilization fund	\$ 621,979
Water protection stabilization fund	\$ 28,139

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

As of June 30, 2015 the Town reported deficit fund balance in other funds as follows:

<u>Fund Name</u>	<u>Fund Type</u>	<u>Fund Deficit</u>
Circuit breaker grant	Special revenue fund	\$ 42,938
WRAP grant	Special revenue fund	40,641
FEMA snow event	Special revenue fund	27,253
PSAP support and incentive grant	Special revenue fund	26,232
School lunch fund	Special revenue fund	4,658
911 training grant	Special revenue fund	4,439
HEMP grant	Special revenue fund	1,334
Kindergarten full day grant	Special revenue fund	1,210
		<u>\$ 148,705</u>

Fund deficits identified above that relate to cost reimbursement grants and will be covered by subsequent billings to awarding agencies. Receivables offset by deferred revenue have been recorded in the fund basis financial statements, as applicable.

D. Restricted Net Position

Restricted net position on the government-wide statement of net position consist of the following:

Capital Project Fund Balances	\$ 553,437
Special Revenue Fund Balances:	
Road repair fund	874,011
Plymouth County assistance to firefighters grant	540,792
Solid Waste fund	538,490
Septic Grants	264,630
Cemetery perpetual care fund	264,499
Other special revenue funds	<u>777,386</u>
Total restricted net position	<u>\$ 3,813,245</u>

Note 4. Cash and Cash Equivalents

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust ("MMDT"), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2015 cash deposits totaled \$8,000,882 and had a carrying amount of \$7,757,701. Of the deposit amounts, \$7,179,998 was exposed to custodial credit risk at June 30, 2015 as it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

The Town's governmental activities' investments as of June 30, 2015 consisted of the following:

Governmental activities: Type of investment	Fair Value	Credit Rating	Maturities		
	Carrying Amount		Less than one year	1-5 years	Total
Corporate bonds	\$ 99,812	A2	\$	\$ 99,812	\$ 99,812
Corporate bonds	74,448	A3		74,448	74,448
Corporate bonds	99,344	Baa1		99,344	99,344
Mutual funds	118,526	unrated	118,526		118,526
US Treasury/agencies bonds	475,079	Aaa	475,079	-	475,079
Total governmental activities	<u>\$ 867,209</u>		<u>\$ 593,605</u>	<u>\$273,604</u>	<u>\$867,209</u>

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's investment policy limits unsecured deposits.

The Town will review the financial institution's financial statements and the background of the Advisor. The intent of this qualification is to limit the Town's exposure to only those institutions with a proven financial strength, capital adequacy of the firm and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The Town manages interest rate risk by managing duration in the account.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk. Equity securities and equity mutual funds are not rated as to credit risk.

The Town manages credit risk several ways. There will be no limit to the amount of United States Treasury and United States government agency obligations. In regards to other investments, the Town will only purchase investment grade securities with a high concentration in securities rated A or better. The Town may invest in the Massachusetts Municipal Depository Trust ("MMDT") with no limit to the amount of funds placed in the fund.

The credit ratings and maturities associated with the corporate bonds reported in the governmental activities of based upon Standard's & Poor's ratings is as follows:

	Ratings	Maturities		
		Less than one year	1-5 years	Total
AT&T SR NT 1.4%	A2	\$	\$ 99,344	\$ 99,344
Wells Fargo CO MTN BE 1.5%	A3		99,812	99,812
Fifth Third BK Cin Ohio MTN BE 1.45%	Baa1	-	74,448	74,448
Total corporate bonds		<u>\$ -</u>	<u>\$ 273,604</u>	<u>\$ 273,604</u>

Concentration of credit risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town minimizes 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.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Foreign currency risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Town limits investment in any instrument exposed to foreign currency risk.

Note 5. Receivables

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues, if any, are also reported on the Statement of Net Position.

The Town includes the following receivables for individual major and non-major governmental funds, and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts deferred and unearned:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Real estate and personal property taxes	\$ 807,224	\$ 29,800	\$ 777,424
Tax liens, deferrals and foreclosures	873,340		873,340
Motor vehicle and boat excise	195,000	26,600	168,400
Charges for service – ambulance fees	1,000,666	500,300	500,366
Septic betterments	52,381		52,381
Departmental and other	58,353		58,353
Intergovernmental			
Commonwealth highway awards	874,011		874,011
Commonwealth – other	<u>128,275</u>		<u>128,275</u>
Totals on a governmental fund basis	<u>3,989,250</u>	<u>-</u>	<u>-</u>
Totals on an entity wide basis	<u>\$ 3,989,250</u>	<u>\$556,700</u>	<u>\$ 3,432,550</u>

Receivables for the Town's business-type activities consist of the following:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Water rates and charges	\$ 153,237	\$ 4,600	\$ 148,637
Unbilled water rates	<u>139,000</u>	<u>4,170</u>	<u>134,830</u>
Totals	<u>\$ 292,237</u>	<u>\$ 8,770</u>	<u>\$ 283,467</u>

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 6. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 3,683,770	\$ -	\$ -	\$ 3,683,770
Capital assets being depreciated:				
Buildings and related improvements	12,176,087	110,540		12,286,627
Improvements other than buildings	1,408,018	-		1,408,018
Equipment, machinery & vehicles	3,472,336	202,763	23,572	3,651,527
Infrastructure	<u>26,959,514</u>	<u>855,642</u>	<u>-</u>	<u>27,815,156</u>
Sub-total	44,015,955	1,168,945	23,572	45,161,328
Less accumulated depreciation:				
Buildings and related improvements	7,859,054	344,217		8,203,271
Improvements other than buildings	624,041	67,310		691,351
Equipment, machinery & vehicles	2,356,249	283,076	23,572	2,615,753
Infrastructure	<u>14,166,470</u>	<u>666,749</u>	<u>-</u>	<u>14,833,219</u>
Sub-total	<u>25,005,814</u>	<u>1,361,352</u>	<u>23,572</u>	<u>26,343,594</u>
Governmental capital assets, net	<u>\$ 22,693,911</u>	<u>\$ (192,407)</u>	<u>\$ -</u>	<u>\$ 22,501,504</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business-type activities</u>				
Capital assets not being depreciated:				
Land	\$ 626,301	\$ -	\$ -	\$ 626,301
Capital assets being depreciated:				
Buildings and related improvements	47,853			47,853
Equipment, machinery & vehicles	371,213	35,650		406,863
Infrastructure	<u>12,300,994</u>	<u>-</u>	<u>-</u>	<u>12,300,994</u>
Sub-total	12,720,060	35,650		12,755,710
Less accumulated depreciation:				
Buildings and related improvements	33,039	960		33,999
Equipment, machinery & vehicles	269,937	47,576		317,513
Infrastructure	<u>4,737,400</u>	<u>191,383</u>	<u>-</u>	<u>4,928,783</u>
Sub-total	<u>5,040,376</u>	<u>239,919</u>	<u>-</u>	<u>5,280,295</u>
Business-type activities capital assets, net	<u>\$ 8,305,985</u>	<u>\$ (204,269)</u>	<u>\$ -</u>	<u>\$ 8,101,716</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 39,546
Public safety	264,074
Education	193,499
Public works	828,511
Health and human services	23,462
Culture and recreation	<u>12,260</u>
Total depreciation expense – governmental activities	<u>\$ 1,361,352</u>
Business-type activities:	
Water/Total depreciation expense	<u>\$ 204,269</u>

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 7. Interfund Balances and Activity

There are no amounts due to or from governmental funds. Interfund transfers, for the fiscal year ended June 30, 2015, consisted of the following:

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>OPEB Trust Fund</u>
Amounts transferred from receipts reserved for appropriation and revolving funds to fund operating budget	\$ 23,665	\$ -	\$ (23,665)	\$ -	\$ -
General fund transfers to other governmental funds	(40,592)		40,592		
General fund transfers to solid waste	(600)	600			
General fund transfers to OPEB trust fund	(35,000)			(35,000)	35,000
General fund transfers to agency fund	(11,200)			(11,200)	
Amounts transferred from solid waste fund to fund costs appropriated in general fund	24,012		(24,012)		
Amounts transferred from solid waste funds to fund indirect costs appropriated in general fund, net	<u>6,666</u>	<u>(6,666)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals on governmental fund basis	<u><u>\$(33,049)</u></u>	<u><u>\$(6,066)</u></u>	<u><u>\$ (7,085)</u></u>	<u><u>\$(46,200)</u></u>	<u><u>\$35,000</u></u>

Note 8. Deferred inflows and outflows of resources

Deferred outflows of resources represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on net position. At June 30, 2015, the Town reported deferred outflows of resources of \$413,764 and \$26,410, respectively, which represents the net difference between projected and actual earning associated with the Plymouth County Retirement System (pension plan).

Deferred inflows of resources represent the acquisition of assets by the government that is applicable to a future reporting period. As of June 30, 2015, the Town reported aggregate deferred inflows of resources of \$3,948,676 in the governmental funds. This amount represents deferred revenues associated with receivables as detailed in Note 5.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 9. Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

<u>Purpose</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>
Governmental activities:					
MCWT, Septic Betterment, dtd 8/1/02, subsidized interest, due 2021	\$ 72,600	\$ -	\$ 10,400	\$ 62,200	\$ 10,400
MCWT, Pool Program, dtd 11/16/05, 0%, due 2025	120,000		10,000	110,000	10,000
Landfill capping, dtd 9/15/07, 3.8% - 5.0%, due 2023	810,000		90,000	720,000	90,000
Police Station Construction, dtd 4/1/01, 4.0% - 4.7%, due 2016	<u>270,000</u>	<u>-</u>	<u>135,000</u>	<u>135,000</u>	<u>135,000</u>
Total bonds payable	1,272,600		245,400	1,027,200	245,400
Landfill closure and monitoring liability	440,000		20,000	420,000	20,000
Other post employment benefits	4,439,638	1,056,770	403,304	5,093,104	
Pension liability	8,514,649	433,085		8,947,734	
Compensated absences	<u>910,300</u>	<u>86,000</u>	<u>-</u>	<u>996,300</u>	<u>-</u>
Total governmental activities noncurrent liabilities	<u>\$ 15,577,187</u>	<u>\$ 1,575,855</u>	<u>\$ 668,704</u>	<u>\$ 16,484,338</u>	<u>\$ 265,400</u>
	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>
Business-type activities:					
Water bond, 4.53%, matures 2016	<u>\$375,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$300,000</u>	<u>\$ 75,000</u>
Total bonds payable	375,000		75,000	300,000	75,000
Other post employment benefits	169,678	14,295	461	183,512	
Pension liability	543,488	27,644		571,132	
Compensated absences	<u>9,600</u>	<u>1,000</u>	<u>-</u>	<u>10,600</u>	<u>-</u>
Total business-type activities noncurrent liabilities	<u>\$ 1,097,766</u>	<u>\$ 42,939</u>	<u>\$ 75,461</u>	<u>\$ 1,065,244</u>	<u>\$ 75,000</u>

Long-term debt

The outstanding Massachusetts Clean Water Trust ("MCWT") bonds above are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest; however, it is anticipated that approximately 33.7 % of the debt service payments relating to the septic bonds will be subsidized by the Commonwealth of Massachusetts via contract payments to MCWT (and MCWT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide financial statements; however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2015, including interest, are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 245,400	\$ 38,162	\$ 283,562	\$ 75,000	\$ 14,250	\$ 89,250
2017	110,400	26,732	137,132	75,000	10,725	85,725
2018	110,400	22,097	132,497	75,000	7,163	82,163
2019	110,400	17,912	128,312	75,000	3,600	78,600
2020	110,400	13,746	124,146			
2021 – 2023	<u>340,200</u>	<u>16,974</u>	<u>357,174</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,027,200</u>	<u>\$ 135,623</u>	<u>\$ 1,162,823</u>	<u>\$300,000</u>	<u>\$ 35,738</u>	<u>\$ 335,738</u>

The Town is subject to a dual level general debt limit—the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

Unissued debt authorizations consist of the following at June 30, 2015:

<u>Purpose</u>	<u>Year(s) Authorized</u>	<u>Amount</u>
Repair, renovate and paint water tower	2012	<u>\$ 700,000</u>
Total authorized and unissued		<u>\$ 700,000</u>

The Town pays assessments, which include debt service payments to other local governmental units providing services on behalf of the Town (commonly referred to as overlapping debt.) The Town is indirectly liable, through its assessments to these governments, for this debt. However, the debt is not considered against the Town's debt limits or reported on the Town's Statement of Net Position. The Town pays assessments to the Silver Lake Regional School District that may include its proportionate share of debt service (capital costs).

Lease obligations

A. Operating leases

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payments for non-cancelable operating leases are immaterial as of June 30, 2015.

B. Capital leases

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. The Town does not have any material capital lease obligation outstanding as of June 30, 2015.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 10. Temporary Borrowings

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax or revenue anticipation notes (TANs and RANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are generally accounted for in the General Fund.

The Town had no temporary borrowings at anytime during the year ended June 30, 2015.

Note 11. Employee Benefits

A. Retirement Benefits

1. Plymouth County Retirement Association

Plan Description

The Plymouth County Retirement Association (“Association” or “Plan”) is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Plymouth County Retirement Board (“Board”), with the exception of school department employees who serve in a teaching capacity. The pensions for these school employees are administered by the Commonwealth of Massachusetts’ Teachers Retirement System (“MTRS”). Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. As of December 31, 2014, the Association had 55 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (“MGL”). The Public Employee Retirement Administration Commission (“PERAC”) is the state agency responsible for oversight of the Commonwealth’s public retirement systems. The Association is governed by a five-member Board who establish the policies under which the Association operates. The Association issued an audited financial statement for the year ended December 31, 2014, which may be obtained by contacting the Association directly at: Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Benefits Provided

The Association 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 public employee retirement systems ("PERS"). Those 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 credible service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Contributions

There are three classes of membership in the retirement system: Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have specified as hazardous. Lastly, Group 4 consists of police officers, firefighters and other hazardous positions.

Any individual in Group 1 or Group 2 whose membership began before January 1, 1978 and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years or creditable service. There is no minimum vesting requirements for individuals in Group 4.

Members in Group 1 and 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon completion of 10 years of service and upon reaching age 55.

Members in Group 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching age 60 (Group 1) or age 55 (Group 2).

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town's statutorily required contribution for the year was \$953,136. There was an early pay discount of \$18,520 for a net payment of \$934,616.

Pension Liabilities, expenses, and deferred outflows of resources related to pensions

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2015 (measurement date).

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

At December 31, 2014 based upon valuation date of January 1, 2015:

	<u>2014</u>
Total pension liability	\$ 1,417,490,110
Less: plan fiduciary net position	<u>(834,581,969)</u>
Net pension liability	<u>\$ 582,908,141</u>
Plan's fiduciary net position as a percentage of total pension liability	58.9%
Total employer pension expense	\$ 60,282,277
Town's proportionate share of the collective net pension liability	\$ 9,518,867
Town's percentage share of the collective net pension liability	1.63%
Town's covered payroll	\$ 4,796,309
Town's proportionate share of pension expense recognized	\$ 984,407

The Town's proportionate share of collective deferred outflows of resources as a result of the net difference between projected and actual investment earnings of the pension plan investments, was \$440,174. This is to be recognized in future pension expense in the amount of \$110,044 for each of the years ending June 30, 2016, June 30, 2017, June 30, 2018 and June 30, 2019.

Actuarial Assumptions

Valuation date:	January 1, 2015
Actuarial cost method:	Entry Age
Amortization method:	Level percent, open group
Remaining amortization period:	17 years
Asset valuation method:	Actuarially valued using a five-year smoothing method of gains and losses
Projected salary increases:	3.75%
Cost-of-living adjustments:	3.00% of the less of the pension amount and \$13,000 per year
Rates of retirement:	Varies based upon age for general employees, police, and fire employees
Rates of disability:	General employees – 45% ordinary (55% service connected) Police & Fire – 10% ordinary (90% service connected)
Mortality rates:	
Pre and post retirement:	RP-2000 Mortality Table, adjusted to 2015 with Scale AA
Disabled retiree:	RP-2000 Mortality Table, set forward two years
Family composition:	Assumption that 80% of members will be survived by a spouse, females are three years younger than males and males are three years older than females

The Plan's investment policy in regard to the allocation of invested assets is established by the Board and pursuant to Massachusetts General Laws and Public Employee Retirement Administration guidelines. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The investment objective is to fully fund the Plan by generating sufficient long-term inflation adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board desires to balance the goal of higher long-term returns with the goal of minimizing contribution volatility, recognizing these are often competing goals. This requires taking both assets and liabilities into account when setting investment strategy. The pension's plan target asset allocation as of January 1, 2010 are summarized in the following table:

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic equity	33.0%	10.2%
Foreign equity	16.0%	11.0%
Total fixed income	25.5%	7.9%
Real estate/real assets	13.0%	9.3%
Private equity	7.5%	14.6%
Hedge funds of funds	4.0%	8.7%
Cash	1.0%	4.0%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The discount rate was selected based on a projection of employer and employee contributions benefit payments, expenses and the long term expected rate of return on trust assets. Under Chapter 32 of the Massachusetts General Law, employers are required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2040.

Sensitivity of the net position liability to changes in the discount rate

The following presents the net position liability calculated using the discount rate of 8.00%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%)

	<u>1% decrease</u> (7.00%)	<u>Current Discount Rate</u> (8.00%)	<u>1% increase</u> (9.00%)
Plymouth County Retirement Association's net pension liability as of December 31, 2014	\$730,416,337	\$582,908,141	\$456,409,880
Town's proportionate share	\$ 11,927,670	\$ 9,518,867	\$7,453,155

2. Special Funding Situation - MTRS

Plan Description

The Massachusetts Teachers' Retirement System ("MTRS") is a public employee retirement system ("PERS") that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board ("GASB") Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaborative and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. Financial information of the MTRS' Pension Trust fund financial statements is contained in the Commonwealth's Comprehensive Annual Financial Report ("CAFR"). The Commonwealth's CAFR may be obtained by contacting the Comptroller's office directly at One Ashburton Place #919, Boston, MA 02108.

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 services ex-officio as the Chairman of the MTRB.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers, including the Collaborative, are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. However, the Town is required to disclose the portion of the nonemployer contributing entities' (the Commonwealth) share of the collective net pension liability that is associated with the Town. In addition, the Town must recognize its portion of the collective pension expense as both a revenue and pension expense.

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 public employee retirement systems ("PERS"). Those 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 credible service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

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

Contributions

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

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

Contributions are provided by the Commonwealth on behalf of the Town based upon actuarially determined amounts. The nonemployer contribution made by the Commonwealth to the MTRS on behalf of the Town was \$490,371. The annuity portion of the MTRS retirement is funded by employees, through contribution of a percentage of their compensation as indicated above.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Pension Liabilities and expenses related to pensions

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2014, rolled forward to June 30, 2014 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the Town.

	<u>2014</u>
Total pension liability	\$ 41,435,000,000
Less: plan fiduciary net position	<u>(25,538,646,000)</u>
Net pension liability	<u>\$ 15,896,354,000</u>
Plan's fiduciary net position as a percentage of total pension liability	61.64%
Town's Proportionate share of collective net pension liability	\$ 8,315,784
Town's proportionate share of the total net pension liability	0.052313%
Town's proportionate share of pension expense	\$ 577,737

The Commonwealth's proportionate share of pension expense has been included on the Town's statement of revenues, expense, and fund balance under intergovernmental revenue and employee benefits and other insurances expenses. In the Statement of Activities, these amounts are reported as Program Revenue Operating Grant and Contributions and employee benefits and other insurances expenses. As the net pension liability is a special funding situation, and the Town does not contribute to MTRS, the Town does not book a liability in the Statement of Net Position.

Actuarial Assumptions

The calculation 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:
 - a. Pre-retirement: reflects RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA (gender distinct)
 - b. Post-retirement: reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
 - c. 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 rates are combined to produce the long-term expected rate of return by weighing 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 are summarized in the following table:

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	43.0%	7.2%
Core Fixed Income	13.0%	2.5%
Hedge Funds	10.0%	5.5%
Private Equity	10.0%	8.8%
Real Estate	10.0%	6.3%
Value Added Fixed Income	10.0%	6.3%
Timber/Natural Resources	4.0%	5.0%
Total	<u>100.0%</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 period of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at June 30, 2014 (in thousands).

<u>June 30, 2014</u>	<u>1% Decrease to 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase to 9%</u>
MTRS- Total	\$20,247,000	\$15,896,000	\$12,200,000
Proportionate share associated with Town	\$ 10,592	\$ 8,316	\$ 6,382

B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position for both governmental and business-type activities.

C. Other Post Employment Benefits

Plan Description

The Town administers a single employer defined benefit plan which provides health and prescription drug benefits to substantially all retired employees and their spouses (plan members). Eligibility to retire under the Town's plan is based upon meeting one of the following conditions:

- i. At least 10 years of creditable service are eligible at age 55;
- ii. At least 20 years of creditable serve are eligible at any age.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

The number of participants as of July 1, 2014, the effective date of the OPEB valuation, was 231 which includes retirees, beneficiaries, and dependents of 105 and active members of 126. Benefits were paid to retirees, beneficiaries and dependents during the fiscal year ended June 30, 2015 and are paid on a pay as you go basis. These benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances.

Funding Policy

The contribution rates of retirees are established by collective-bargaining agreements, Massachusetts General Law, and Town ordinances. The required contribution is based on pay as you go financing requirements. All benefits are provided through a third-party insurance carrier that administers, assumes, and pays all claims. The Town contributes at least 50% of the insurance premiums with the remainder funded through retiree contributions.

The Town has accepted provisions of MGL Chapter 32B, Section 20 which allow for the Town to establish a separate OPEB liability trust fund. During fiscal year 2015, the Town transferred \$35,000 into the trust fund.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) 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, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Annual required contribution	\$ 1,004,012	\$ 15,443
Interest on net OPEB obligation	177,585	6,787
Adjustment to annual required contribution	(246,870)	(9,435)
Amortization of actuarial (gain)/loss	122,043	1,500
Annual OPEB cost	1,056,770	14,295
Contributions made	403,304	460
Increase in OPEB Obligation	653,466	13,835
Net OPEB obligation, beginning of year	4,439,638	169,677
Net OPEB obligation, end of year	<u>\$ 5,093,104</u>	<u>\$ 183,512</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Governmental Activities:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 1,056,770	38.16%	\$ 5,093,104
6/30/2014	\$ 1,161,590	33.71%	\$ 4,439,638
6/30/2013	\$ 1,114,183	32.03%	\$ 3,669,672

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Business-type Activities:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2015	\$ 14,295	3.22%	\$ 183,512
6/30/2014	\$ 33,862	0.00%	\$ 169,677
6/30/2013	\$ 32,480	0.00%	\$ 135,815

Funding Status and Schedule of Funding Progress

The unfunded actuarial liability was determined using the level dollar thirty year open amortization basis.

	(a)	(b)	(b) – (a)	(b) / (a)	(c)	[(b)-(a)]/(c)
Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded Ratio	Covered Pavroll	UAAAL as a Percentage of Covered <u>Pavroll</u>
7/1/2014	\$ 105,791	\$ 11,363,813	\$ 11,258,022	0.94%	N/A	N/A
7/1/2011	\$ 30,000	\$ 11,244,212	\$ 11,214,212	0.27%	N/A	N/A
7/1/2010	\$ -	\$ 10,977,707	\$ 10,977,707	0.00%	\$ 8,009,000	137.1%
7/1/2009	\$ -	\$ 10,711,202	\$ 10,711,202	0.00%	\$ 7,664,000	139.8%
7/1/2008	\$ -	\$ 10,247,192	\$ 10,247,192	0.00%	\$ 7,334,100	139.7%

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 in the required supplementary information following 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.

Actuarial Methods and Assumptions

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between 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.

The following assumptions and methods were utilized in the July 1, 2014:

- Actuarial Cost Method: Projected Unit Credit
- Investment Rate of Return: 4.00% per annum, pay as you go scenario
- Healthcare Trend Rates:

Fiscal year	<u>2013</u>	<u>2014-2020+</u>
Medical	6.0%	5.0%
Dental	5.5%	5.0%
- General Inflation Assumption: 4.0% per annum
- Compensation Increases: 3.0% per annum
- Actuarial Value of Assets: Market Value
- Amortization of UAAL: Level dollar amortization over 30 years at transition
- Remaining Amortization Period: 24 years at July 1, 2014

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 12. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter. The landfill has stopped accepting solid waste and pursuant to a Massachusetts Department of Environmental Protection consent order, the Town has placed a final cover on its landfill.

As of June 30, 2015, \$420,000 has been reported on the Town's statement of net position as an estimated liability for post-closure monitoring costs of the landfill, through 2036. Actual costs may change due to regulatory authorities, changing technology, and inflation.

Note 13. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, unemployment claims and natural disasters. The Town carries commercial insurance for all risk except health insurance and unemployment claims.

The Town belongs to the Mayflower Municipal Health Group (Group) a joint purchasing group, formed pursuant to Massachusetts General Law Chapter 32B, Section 12 to provide insurance benefits. The Town pays premiums to the group based upon a 50% (Town) and 50% (Employee). The Town budgets, annually, in the general fund for its estimated share of contributions. The Group maintains reinsurance for claims in excess of \$300,000 per person annually, to a lifetime maximum of \$2,000,000. The Group reported unrestricted net position of \$26.4 million (audited) at June 30, 2015. Additional information can be obtained by contacting the Group's treasurer directly at Mayflower Municipal Health Group, P.O. Box 3390, Plymouth, MA 02361.

The Town is self insured for unemployment compensation. The liability for the unemployment compensation program was not material at June 30, 2015.

Note 14. Commitments and Contingencies

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

Note 15. Restatement of certain beginning balances

The following table illustrates certain reclassifications of beginning net position:

Governmental Activities

Net position as of June 30, 2014	\$24,076,147
Implementation of GASB 68	
Town's share of net pension liability	(8,514,64)
Net position, restated as of July 1, 2014	<u>\$15,561,498</u>

Business-type Activities

Net position as of June 30, 2014	\$ 9,253,511
Implementation of GASB 68	
Town's share of net pension liability	(543,488)
Net position, restated as of July 1, 2014	<u>\$ 8,710,023</u>

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 16. Implementation of GASB Pronouncements

The following are pronouncements issued by the Governmental Accounting Standards Board (“GASB”), which are applicable to the Town's financial statements.

Current pronouncements

The GASB issued Statement #68, *Accounting and Financial Reporting for Pension*, which was required to be implemented in fiscal year 2015. The pronouncement required governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. It also enhances accountability and transparency through revised and additional note disclosures and required supplementary information. The pronouncement did have a material effect upon the Town's financial statements. The Town implemented the pronouncement.

The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB #68*, which was required to be implemented in fiscal year 2015. The pronouncement addressed transition provisions of GASB #68 for accounting amounts associated with contributions, if any, made by a local government or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The pronouncement did have a material effect upon the Town's financial statements. The Town implemented the pronouncement.

Future pronouncements

The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in fiscal year 2016. The pronouncement addresses accounting and financial reporting issues related to fair value measurements. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #75, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which is required to be implemented in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The Town expects the implementation of the pronouncement to have a material effect on the financial statements.

The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in fiscal year 2017. The pronouncement replaces previously issued guidance and improves financial reporting by redefining the hierarchy of generally accepted accounting principles (“GAAP”). The Town expects to implement the pronouncement as applicable.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HALIFAX, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Funding Progress – Other Post Employment Benefits (“OPEB”) Plan
 June 30, 2015

Schedule of Funding Progress

The schedule of funding progress 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. The unfunded actuarial accrued liability was determined using the level dollar thirty year amortization basis.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) – (a) Unfunded AAL (UAAL)	(b) / (a) Funded Ratio	(c) Covered Payroll	[(b)-(a)]/(c) UAAL as a Percentage of Covered Payroll
7/1/2014	\$ 105,791	\$ 11,363,813	\$ 11,258,022	0.94%	N/A	N/A
7/1/2011	\$ 30,000	\$ 11,244,212	\$ 11,214,212	0.27%	N/A	N/A
7/1/2010	\$ -	\$ 10,977,707	\$ 10,977,707	0.00%	\$ 8,009,000	137.1%
7/1/2009	\$ -	\$ 10,711,202	\$ 10,711,202	0.00%	\$ 7,664,000	139.8%
7/1/2008	\$ -	\$ 10,247,192	\$ 10,247,192	0.00%	\$ 7,334,100	139.7%

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.

Actuarial Methods and Assumptions

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between 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. The valuation reflected a closed group, and does not reflect any new entrants after the valuation date of July 1, 2014. The valuation assumed retiree contributions increased with the same trend rate as health care claims. Significant actuarial assumptions used in the valuation are as follows:

- Actuarial Cost Method: Projected Unit Credit
- Investment Rate of Return: 4.0% per annum, pay as you go scenario
- Healthcare Trend Rates:

Fiscal year	<u>2013</u>	<u>2014-2020+</u>
Medical	6.0%	5.0%
Dental	5.5%	5.0%

- General Inflation Assumption: 4.0% per annum
- Compensation Increases: 3.0% per annum
- Actuarial Value of Assets: Market Value
- Amortization of UAAL: Level dollar amortization over 30 years at transition
- Remaining Amortization Period: 24 years at July 1, 2014

See Independent Auditors' Report

TOWN OF HALIFAX, MASSACHUSETTS

Required Supplementary Information

Schedule of Pension Contributions

June 30, 2015

A. Plymouth County Retirement Association

The Plymouth County Retirement Association (the Plan) is a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees (except for school department employees who serve in a teaching capacity). Based upon the actuarial valuation date of the Plan of January 1, 2015, the following is presented:

	<u>2014</u>
Total pension liability	\$1,417,490,110
Less:	
Plan fiduciary net position	<u>(834,581,696)</u>
Net pension liability	<u>\$ 582,908,142</u>
Plan fiduciary net position as a percentage of total pension liability	58.88%
 Town's proportionate/allocated share of collective net pension liability	 \$ 9,518,867
Town's proportionate share of pension expense	\$ 984,407
Town's proportionate share of collective net pension liability as a percentage of the total	1.63%
Actuarially determined contributions	\$ 953,136
Contributions in relation to the actuarial determined contribution	<u>\$ 953,136</u>
Contribution deficiency(excess)	<u>\$ -</u>
 Town's covered payroll	 \$ 4,796,309
Town's contributions as a percentage of covered payroll	19.87%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll.	198.5%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

TOWN OF HALIFAX, MASSACHUSETTS

Required Supplementary Information

Schedule of Pension Contributions

June 30, 2015

B. Special Funding Situation - MTRS

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement 68 *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS (the Plan). Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize for each employer. Based upon the actuarial valuation of the Plan as of June 30, 2014, the following is presented (amounts in thousands):

	<u>2014</u>
Total pension liability	\$ 41,435,000
Less:	
Plan fiduciary net position	<u>(25,538,646)</u>
Net pension liability	<u>\$ 15,896,354</u>
Plan fiduciary net position as a percentage of total pension liability	61.64%
Commonwealth's proportionate/allocated share of collective net pension liability associated with the Town	\$ 8,316
Commonwealth's proportionate share of collective net pension liability as a percentage of the total	0.052313%
Commonwealth's actuarial determined contribution on behalf of the County	\$ 490
Actuarially determined contribution	\$ 490
Contributions in relation to the actuarial determined contribution	<u>\$ 490</u>
Contribution deficiency(excess)	<u>\$ -</u>

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

TOWN OF HALIFAX, MASSACHUSETTS
 Budgetary Comparison Schedule - General Fund
 For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 14,330,276	\$ 14,330,276	\$14,785,253	\$ 454,977
Excise taxes	865,000	865,000	989,435	124,435
Licenses, fees and permits	146,950	146,950	157,633	10,683
Penalties and interest	150,119	150,119	180,831	30,712
Investment interest	1,900	1,900	1,315	(585)
Charges for services	204,000	204,000	203,688	(312)
Departmental and other	110,000	110,000	87,660	(22,340)
Intergovernmental	<u>3,694,614</u>	<u>3,694,614</u>	<u>3,727,611</u>	<u>32,997</u>
Total revenues	19,502,859	19,502,859	20,133,426	630,567
Expenditures				
General government	4,119,277	3,829,343	3,769,915	59,428
Public safety	2,542,805	2,555,048	2,454,119	100,929
Education	11,375,631	11,302,141	11,278,038	24,103
Public works	1,852,325	1,379,019	1,349,943	29,076
Human services	488,957	494,024	483,470	10,554
Culture and recreation	376,744	370,723	365,853	4,870
State and county assessments	128,271	128,271	128,349	(78)
Debt service	<u>274,497</u>	<u>274,497</u>	<u>270,130</u>	<u>4,367</u>
Total expenditures	<u>21,158,507</u>	<u>20,333,066</u>	<u>20,099,817</u>	<u>233,249</u>
Revenues over (under) expenditures	(1,655,648)	(830,207)	33,609	863,816
Other financing sources (uses)				
Transfers in from other funds	98,356	98,356	107,047	8,691
Transfers out to other funds	<u>(35,000)</u>	<u>(49,000)</u>	<u>(87,430)</u>	<u>(38,430)</u>
Total other financing sources (uses)	<u>63,356</u>	<u>49,356</u>	<u>19,617</u>	<u>(29,739)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,592,292)	(780,851)	<u>\$ 53,226</u>	<u>\$ 834,077</u>
Other budget items				
Free cash appropriations	501,605	503,211		
Overlay surplus	59,261	59,261		
Carryover encumbrances and articles	<u>1,031,426</u>	<u>218,379</u>		
Total other budget items	<u>1,592,292</u>	<u>780,851</u>		
Net budget	<u>\$</u>	<u>\$</u>		

TOWN OF HALIFAX, MASSACHUSETTS
 Budgetary Comparison Schedule - Solid Waste Fund
 For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 138,001	\$ 138,001	\$ 336,546	\$ 198,545
Investment interest			508	508
Total revenues	138,001	138,001	337,054	199,053
Expenditures				
Public works/Total	376,141	369,766	335,838	33,928
Revenues over (under) expenditures	(238,140)	(231,765)	1,216	232,981
Other financing sources (uses)				
Transfers in from other funds		600	600	
Transfers out to other funds	(6,666)	(6,666)	(6,666)	
Total other financing sources (uses)	(6,666)	(6,066)	(6,066)	
Revenues and other financing sources over (under) expenditures and other financing uses	(244,806)	(237,831)	<u>\$ (4,850)</u>	<u>\$ 232,981</u>
Other budget items				
Carryover encumbrances and articles	12,850	5,875		
Retained Earnings	231,956	231,956		
Total other budget items	244,806	237,831		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditors' Report

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Supplementary Information

June 30, 2015

Note 1. Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted, the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Budgetary Comparison Schedule – General Fund, are presented on a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). There are no differences between the budgetary-basis and GAAP-basis results for the Solid Waste Fund for the fiscal year ended June 30, 2015. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2015, is presented below:

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
As reported on a budgetary basis	\$ 20,133,426	\$ 20,099,817	\$ 19,617
Net activity of stabilization funds	3,112		-
Adjustment for water fund indirect costs paid from general fund		(52,666)	(52,666)
Adjustment of property tax revenues to modified accrual basis	(463,333)		
State funded teacher's pension	<u>577,737</u>	<u>577,737</u>	<u>-</u>
As reported on a GAAP basis	<u>\$ 20,250,942</u>	<u>\$ 20,624,888</u>	<u>\$ (33,049)</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING**



Lynch, Malloy, Marini, LLP

Certified Public Accountants & Advisors

www.lmmcpas.com

**INDEPENDENT AUDITORS' 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 Honorable Board of Selectmen
Town of Halifax, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the financial statements of Town of Halifax, 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 Halifax, Massachusetts' basic financial statements and have issued our report thereon dated March 29, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control over compliance 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Halifax, Massachusetts' financial statements are free of 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*.

Town of Halifax, Massachusetts' Response to findings

Town of Halifax, Massachusetts' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Halifax, Massachusetts' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Norwell, Massachusetts
March 29, 2016

TOWN OF HALIFAX, MASSACHUSETTS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weakness

2015-01 - Implement procedures to reconcile cash timely and accurately

Criteria: The Town must provide adequate procedures to maintain adequate internal controls over the Town's cash balance and bank accounts.

During the year there were approved transfers made with no adjustments made to the cash book. Adjusting entries at year end were made to adjust the cash balance.

Effect: Without complete and accurate reconciliation of cash accounts to the general ledger each month, the Town is at risk of overstating or understating cash balances.

Recommendation: We understand the Town has incrementally improved its cash reconciliation procedures over the past year and the difference in the variance has not increased significantly, however we continue to recommend the Town provide procedures for maintaining timely and accurate bank reconciliations throughout the year.

Management's Response: During fiscal year 2015, adjustments were made to adjust the cashbook to agree to the general ledger and reconciliations are being completed timely and regularly.