

**TOWN OF FAIRHAVEN, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2014**

**Town of Fairhaven, Massachusetts**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Fairhaven, Massachusetts

### Additional Offices:

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairhaven, Massachusetts, as of and for the year ended June 30, 2014, (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2013) and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

ments, 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 Fairhaven, Massachusetts, as of June 30, 2014, (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2013) and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

*Melanson Heath*

March 23, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

**Proprietary funds.** Proprietary funds are maintained as follows:

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

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

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

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

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



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

## **B. FINANCIAL HIGHLIGHTS**

- At the end of the current fiscal year, total assets exceeded liabilities by \$123,272,810 (i.e., total net position), a change of \$1,701,530 in comparison to the prior year.
- At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$16,430,544, a change of \$10,590,243 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,975,343, a change of \$186,217 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the end of the current fiscal year was \$23,369,445 a change of \$6,878,465 in comparison to the prior year.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

<u>NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 27,273	\$ 24,223	\$ 7,688	\$ 11,156	\$ 34,961	\$ 35,379
Noncurrent assets	<u>101,789</u>	<u>101,462</u>	<u>33,910</u>	<u>31,069</u>	<u>135,699</u>	<u>132,531</u>
Total assets	129,062	125,685	41,598	42,225	170,660	167,910
Current liabilities	9,210	16,949	1,713	1,651	10,923	18,600
Noncurrent liabilities	<u>29,988</u>	<u>21,100</u>	<u>6,476</u>	<u>6,639</u>	<u>36,464</u>	<u>27,739</u>
Total liabilities	39,198	38,049	8,189	8,290	47,387	46,339
Net position:						
Net investment in capital assets	78,407	75,773	24,918	24,349	103,325	100,122
Restricted	7,744	7,211	-	-	7,744	7,211
Unrestricted	<u>3,713</u>	<u>4,652</u>	<u>8,491</u>	<u>9,586</u>	<u>12,204</u>	<u>14,238</u>
Total net position	<u>\$ 89,864</u>	<u>\$ 87,636</u>	<u>\$ 33,409</u>	<u>\$ 33,935</u>	<u>\$ 123,273</u>	<u>\$ 121,571</u>

# CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,860	\$ 4,276	\$ 5,720	\$ 5,249	\$ 10,580	\$ 9,525
Operating grants and contributions	16,982	17,034	-	-	16,982	17,034
Capital grants and contributions	509	1,019	-	9	509	1,028
General revenues:						
Property taxes	24,577	23,569	-	-	24,577	23,569
Excises	1,719	1,635	-	-	1,719	1,635
Penalties, interest and other taxes	321	292	-	-	321	292
Grants and contributions not restricted to specific programs	3,044	2,646	-	-	3,044	2,646
Capital contributions	1,663	10,755	-	-	1,663	10,755
Investment income	100	42	65	17	165	59
Miscellaneous	491	342	-	-	491	342
Total revenues	54,266	61,610	5,785	5,275	60,051	66,885
Expenses:						
General government	2,964	3,131	-	-	2,964	3,131
Public safety	8,689	8,570	-	-	8,689	8,570
Education	33,168	32,352	-	-	33,168	32,352
Public works	3,776	4,272	-	-	3,776	4,272
Human services	1,907	1,534	-	-	1,907	1,534
Culture and recreation	1,206	1,146	-	-	1,206	1,146
Interest on long-term debt	795	544	-	-	795	544
Intergovernmental	478	422	-	-	478	422
Sewer	-	-	3,301	3,312	3,301	3,312
Sewer Digester	-	-	18	1	18	1
Water	-	-	2,022	2,012	2,022	2,012
Total expenses	52,983	51,971	5,341	5,325	58,324	57,296
Change in net position before transfers	1,283	9,639	444	(50)	1,727	9,589
Transfers in (out)	945	547	(970)	(547)	(25)	-
Change in net position	2,228	10,186	(526)	(597)	1,702	9,589
Net position - beginning of year	87,636	77,450	33,935	34,532	121,571	111,982
Net position - end of year	\$ 89,864	\$ 87,636	\$ 33,409	\$ 33,935	\$ 123,273	\$ 121,571

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the end of the most recent fiscal year, total net position was \$123,272,810, a change of \$1,701,530 from the prior year.

The largest portion of net position \$103,325,237 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position totaling \$7,743,795 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$12,203,778 may be used to meet the Town's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$2,227,590. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 822,228
Internal service fund operations	779,903
Capital asset acquisitions	3,608,148
Depreciation expense in excess of debt service principal paydown	(493,840)
Increase in OPEB liability	(2,284,328)
Other	<u>(204,521)</u>
Total	<u>\$ 2,227,590</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$(526,060). Key elements of this change are as follows:

Sewer fund operations	\$ (478,880)
Sewer digester fund operations	24,177
Water operations	<u>(71,357)</u>
Total	<u>\$ (526,060)</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved

fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$16,430,544, a change of \$10,590,243 in comparison to the prior year. Key elements of this change are as follows:

General fund change in fund balance	\$ 822,228
Nonmajor governmental funds change in fund balance	<u>9,768,015</u>
Total	<u>\$ 10,590,243</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,975,343 while total fund balance was \$8,996,524. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance <sup>(1)</sup>	\$ 5,975,343	\$ 5,789,126	\$ 186,217	12.5%
Total fund balance	\$ 8,996,524	\$ 8,174,296	\$ 822,228	18.8%

<sup>(1)</sup> Includes general stabilization fund.

The total fund balance of the general fund changed by \$822,228 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (2,148,504)
Revenues in excess of budget	1,647,905
Expenditures less than budget	621,141
Expenditure timing differences	374,138
Change in stabilization	100,487
Other	<u>227,061</u>
Total	<u>\$ 822,228</u>

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

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
General stabilization	\$ 2,801,455	\$ 2,700,968	\$ 100,487

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$8,490,909 a change of \$(274,374) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

## **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$443,425. Major reasons for these amendments include:

- \$94,749 to fund additional salaries/operating expenses for various departments and to pay unpaid prior years bills.
- \$108,181 to fund labor contracts.
- \$65,495 to fund various projects, including Millicent Library chimney repairs.
- \$25,000 to fund site work/demolition at the Maclean's Seafood Building.
- \$150,000 to fund Union Wharf renovations.

Of this increase, \$251,645 was funded by transfers from other funds, and \$191,780 was funded by free cash.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$127,877,974 (net of accumulated depreciation), a change of \$1,534,761 from the prior year. This investment in capital assets includes land, construction in progress, buildings and system, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included school building construction, road infrastructure improvements, water and wastewater infrastructure improvements, and the purchase of various public safety and highway department equipment and vehicles.

**Credit rating.** The Town of Fairhaven maintains an "Aa2" credit rating from Moody's Investors Service for general obligation debt.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$23,369,445 all of which was backed by the full faith and credit of the government.

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

## **REQUESTS FOR INFORMATION**

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

Finance Director/Treasurer/Collector  
Town of Fairhaven  
40 Center Street  
Fairhaven, Massachusetts 02719

## TOWN OF FAIRHAVEN, MASSACHUSETTS

## STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 15,475,247	\$ 4,950,433	\$ 20,425,680
Investments	4,328,367	1,981,689	6,310,056
Receivables, net of allowance for uncollectibles:			
Property taxes	528,759	-	528,759
Excises	162,984	-	162,984
User fees	14,646	472,186	486,832
Departmental and other	2,849,726	-	2,849,726
Special assessments	7,019	283,697	290,716
Intergovernmental	1,914,529	-	1,914,529
Notes receivable	787,652	-	787,652
Deposits held by others	1,186,600	-	1,186,600
Other assets	17,438	-	17,438
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,018,351	-	1,018,351
User fees	-	252,232	252,232
Special assessments	29,433	2,317,227	2,346,660
Intergovernmental	4,171,461	-	4,171,461
Other assets	32,383	-	32,383
Capital assets:			
Land and construction in progress	23,227,818	3,070,591	26,298,409
Other capital assets, net of accumulated depreciation	<u>73,309,811</u>	<u>28,269,754</u>	<u>101,579,565</u>
<b>TOTAL ASSETS</b>	<b>129,062,224</b>	<b>41,597,809</b>	<b>170,660,033</b>
<b>LIABILITIES</b>			
Current:			
Warrants and accounts payable	4,094,188	317,226	4,411,414
Accrued liabilities	902,240	36,419	938,659
Notes payable	400,000	831,867	1,231,867
Tax refunds payable	568,668	-	568,668
Other current liabilities	691,217	30,021	721,238
Current portion of long-term liabilities:			
Bonds payable	2,375,293	491,269	2,866,562
Landfill post-closure	25,000	-	25,000
Accrued employee benefits	98,846	6,304	105,150
Special termination benefits	54,907	-	54,907
Noncurrent:			
Bonds payable, net of current portion	15,403,730	5,099,153	20,502,883
Landfill post-closure, net of current portion	375,000	-	375,000
Accrued employee benefits, net of current portion	889,618	56,742	946,360
Special termination benefits, net of current portion	267,208	-	267,208
Other post-employment benefits	<u>13,052,463</u>	<u>1,319,844</u>	<u>14,372,307</u>
<b>TOTAL LIABILITIES</b>	<b>39,198,378</b>	<b>8,188,845</b>	<b>47,387,223</b>
<b>NET POSITION</b>			
Net investment in capital assets	78,407,182	24,918,055	103,325,237
Restricted for:			
Grants and other statutory restrictions	5,060,035	-	5,060,035
Permanent funds:			
Nonexpendable	2,373,048	-	2,373,048
Expendable	310,712	-	310,712
Unrestricted	<u>3,712,869</u>	<u>8,490,909</u>	<u>12,203,778</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>89,863,846</u></b>	<b>\$ <u>33,408,964</u></b>	<b>\$ <u>123,272,810</u></b>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 2,963,805	\$ 454,856	\$ 354,023	\$ -	\$ (2,154,926)	\$ -	\$ (2,154,926)
Public safety	8,688,802	1,478,201	139,237	-	(7,071,364)	-	(7,071,364)
Education	33,167,850	2,513,681	14,673,781	-	(15,980,388)	-	(15,980,388)
Public works	3,775,536	144,583	812,283	508,577	(2,310,093)	-	(2,310,093)
Human services	1,907,369	2,142	995,690	-	(909,537)	-	(909,537)
Culture and recreation	1,206,474	266,250	7,137	-	(933,087)	-	(933,087)
Interest on long-term debt	794,821	-	-	-	(794,821)	-	(794,821)
Intergovernmental	478,465	-	-	-	(478,465)	-	(478,465)
Total Governmental Activities	52,983,122	4,859,713	16,982,151	508,577	(30,632,681)	-	(30,632,681)
<b>Business-Type Activities:</b>							
Sewer	3,301,595	3,365,213	-	-	-	63,618	63,618
Sewer Digester	17,992	-	-	-	-	(17,992)	(17,992)
Water	2,021,821	2,354,274	-	-	-	332,453	332,453
Total Business-Type Activities	5,341,408	5,719,487	-	-	-	378,079	378,079
Total	<u>\$ 58,324,530</u>	<u>\$ 10,579,200</u>	<u>\$ 16,982,151</u>	<u>\$ 508,577</u>	<u>(30,632,681)</u>	<u>378,079</u>	<u>(30,254,602)</u>
<b>General Revenues and Transfers:</b>							
Property taxes					24,577,240	-	24,577,240
Excises					1,719,294	-	1,719,294
Penalties, interest and other taxes					320,727	-	320,727
Grants and contributions not restricted to specific programs					3,043,881	-	3,043,881
Capital contributions					1,663,411	-	1,663,411
Investment income					100,408	65,444	165,852
Miscellaneous					490,727	-	490,727
Transfers, net					944,583	(969,583)	(25,000)
Total general revenues and transfers					32,860,271	(904,139)	31,956,132
Change in Net Position					2,227,590	(526,060)	1,701,530
<b>Net Position:</b>							
Beginning of year					87,636,256	33,935,024	121,571,280
End of year					<u>\$ 89,863,846</u>	<u>\$ 33,408,964</u>	<u>\$ 123,272,810</u>

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



## TOWN OF FAIRHAVEN, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2014

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 8,880,675	\$ 5,103,686	\$ 13,984,361
Investments	1,550,380	2,777,987	4,328,367
Receivables:			
Property taxes	1,708,121	14,754	1,722,875
Excises	252,695	-	252,695
User fees	-	14,646	14,646
Departmental and other	7,001	383,900	390,901
Special assessments	-	36,451	36,451
Intergovernmental	697,196	2,354,713	3,051,909
Notes receivable	-	787,652	787,652
Other assets	1,245	-	1,245
TOTAL ASSETS	<u>\$ 13,097,313</u>	<u>\$ 11,473,789</u>	<u>\$ 24,571,102</u>
<b>LIABILITIES</b>			
Warrants payable	\$ 1,160,065	\$ 250,689	\$ 1,410,754
Accrued liabilities	427,914	2,935	430,849
Notes payable	-	400,000	400,000
Other liabilities	691,217	-	691,217
TOTAL LIABILITIES	2,279,196	653,624	2,932,820
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,821,593	3,386,145	5,207,738
<b>FUND BALANCES</b>			
Nonspendable	-	2,373,049	2,373,049
Restricted	-	5,561,220	5,561,220
Committed	446,597	-	446,597
Assigned	2,574,584	-	2,574,584
Unassigned	5,975,343	(500,249)	5,475,094
TOTAL FUND BALANCES	<u>8,996,524</u>	<u>7,434,020</u>	<u>16,430,544</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 13,097,313</u>	<u>\$ 11,473,789</u>	<u>\$ 24,571,102</u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

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

JUNE 30, 2014

Total governmental fund balances	\$ 16,430,544										
<ul style="list-style-type: none"> <li>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> </ul>	96,537,629										
<ul style="list-style-type: none"> <li>Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li> </ul>	4,373,595										
<ul style="list-style-type: none"> <li>Noncurrent assets, including MSBA reimbursements for contracted assistance, are not receivable in the current period and, therefore, are not reported in governmental funds.</li> </ul>	3,034,081										
<ul style="list-style-type: none"> <li>Internal service funds are used by management to account for health and dental insurance activities. The assets and liabilities of the internal service funds are included with governmental activities in the Statement of Net Assets.</li> </ul>	2,081,702										
<ul style="list-style-type: none"> <li>Deferred debt expense for refunding is net of amortization on the Statement of Net Assets, whereas all debt expense is reported when paid in the governmental funds.</li> </ul>	48,576										
<ul style="list-style-type: none"> <li>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	(100,216)										
<ul style="list-style-type: none"> <li>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:                             <table> <tr> <td>Bonds payable</td><td>(17,779,023)</td></tr> <tr> <td>Landfill post-closure</td><td>(400,000)</td></tr> <tr> <td>Accrued employee benefits</td><td>(988,464)</td></tr> <tr> <td>Special termination benefits</td><td>(322,115)</td></tr> <tr> <td>Other post-employment benefits</td><td><u>(13,052,463)</u></td></tr> </table> </li> </ul>	Bonds payable	(17,779,023)	Landfill post-closure	(400,000)	Accrued employee benefits	(988,464)	Special termination benefits	(322,115)	Other post-employment benefits	<u>(13,052,463)</u>	
Bonds payable	(17,779,023)										
Landfill post-closure	(400,000)										
Accrued employee benefits	(988,464)										
Special termination benefits	(322,115)										
Other post-employment benefits	<u>(13,052,463)</u>										
Net position of governmental activities	\$ <u><u>89,863,846</u></u>										

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

## TOWN OF FAIRHAVEN, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2014

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 24,418,835	\$ 325,170	\$ 24,744,005
Excises	1,768,952	-	1,768,952
Penalties, interest and other taxes	319,729	999	320,728
Charges for services	2,448,580	2,019,091	4,467,671
Licenses and permits	456,774	-	456,774
Intergovernmental	16,707,380	5,250,936	21,958,316
Fines and forfeitures	1,892	-	1,892
Investment income	82,420	315,739	398,159
Contributions	-	220,334	220,334
Miscellaneous	374,175	210,255	584,430
Total Revenues	46,578,737	8,342,524	54,921,261
<b>Expenditures:</b>			
Current:			
General government	1,713,842	829,430	2,543,272
Public safety	5,360,379	154,463	5,514,842
Education	24,776,831	2,730,876	27,507,707
Public works	2,368,410	154,347	2,522,757
Human services	1,534,619	208,329	1,742,948
Culture and recreation	691,654	302,891	994,545
Insurance and benefits	7,896,666	-	7,896,666
Debt service	2,589,600	-	2,589,600
Intergovernmental	478,465	-	478,465
Capital outlay	422,477	2,352,102	2,774,579
Total Expenditures	47,832,943	6,732,438	54,565,381
Excess (deficiency) of revenues over expenditures	(1,254,206)	1,610,086	355,880
<b>Other Financing Sources (Uses):</b>			
Bond proceeds	-	9,064,000	9,064,000
Bond premiums	225,780	-	225,780
Transfers in	2,016,929	141,275	2,158,204
Transfers out	(166,275)	(1,047,346)	(1,213,621)
Total Other Financing Sources (Uses)	2,076,434	8,157,929	10,234,363
Change in fund balance	822,228	9,768,015	10,590,243
Fund Equity, at Beginning of Year as restated	8,174,296	(2,333,995)	5,840,301
Fund Equity, at End of Year	\$ 8,996,524	\$ 7,434,020	\$ 16,430,544

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2014

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 10,590,243</b>																		
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay purchases</td><td style="text-align: right;">3,608,148</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(2,345,138)</td></tr> </table> </li> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <div style="text-align: right;">129,488</div> </li> <li>Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <div style="text-align: right;">(1,011,361)</div> </li> <li>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Issuance of debt</td><td style="text-align: right;">(9,064,000)</td></tr> <tr> <td>Repayments of debt</td><td style="text-align: right;">1,851,298</td></tr> <tr> <td>Deferred debt amortization</td><td style="text-align: right;">(16,193)</td></tr> </table> </li> <li>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <div style="text-align: right;">(40,326)</div> </li> <li>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds: <table> <tr> <td>Landfill post-closure</td><td style="text-align: right;">25,000</td></tr> <tr> <td>Accrued employee benefits</td><td style="text-align: right;">(45,984)</td></tr> <tr> <td>Special termination benefits</td><td style="text-align: right;">50,840</td></tr> <tr> <td>Other post-employment benefits</td><td style="text-align: right;">(2,284,328)</td></tr> </table> </li> <li>Internal service funds are used by management to account for health and dental insurance activities. The net activity of internal service funds is reported with governmental activities in the Statement of Net Position. <div style="text-align: right;"><u>779,903</u></div> </li> </ul>	Capital outlay purchases	3,608,148	Depreciation	(2,345,138)	Issuance of debt	(9,064,000)	Repayments of debt	1,851,298	Deferred debt amortization	(16,193)	Landfill post-closure	25,000	Accrued employee benefits	(45,984)	Special termination benefits	50,840	Other post-employment benefits	(2,284,328)	
Capital outlay purchases	3,608,148																		
Depreciation	(2,345,138)																		
Issuance of debt	(9,064,000)																		
Repayments of debt	1,851,298																		
Deferred debt amortization	(16,193)																		
Landfill post-closure	25,000																		
Accrued employee benefits	(45,984)																		
Special termination benefits	50,840																		
Other post-employment benefits	(2,284,328)																		
<b>Change in net position of governmental activities</b>	<b>\$ <u>2,227,590</u></b>																		

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

## TOWN OF FAIRHAVEN, MASSACHUSETTS

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 24,194,339	\$ 24,194,339	\$ 24,194,339	\$ -
Excises	1,450,000	1,450,000	1,768,952	318,952
Penalties, interest and other taxes	490,000	490,000	319,729	(170,271)
Charges for services	2,032,000	2,032,000	2,448,580	416,580
Licenses and permits	300,000	300,000	456,774	156,774
Intergovernmental	11,513,931	11,513,931	12,033,707	519,776
Fines and forfeitures	15,000	15,000	1,892	(13,108)
Investment income	22,000	22,000	31,933	9,933
Miscellaneous	120,000	120,000	374,175	254,175
Transfers in	1,730,819	1,982,464	1,999,346	16,882
Use of free cash	1,906,139	2,097,919	2,097,919	-
Other sources	<u>67,748</u>	<u>67,748</u>	<u>205,960</u>	<u>138,212</u>
Total Revenues and Other Sources	43,841,976	44,285,401	45,933,306	1,647,905
<b>Expenditures and Other Uses:</b>				
General government	1,900,926	1,861,436	1,699,652	161,784
Public safety	5,297,199	5,454,604	5,361,432	93,172
Education	20,126,310	20,127,197	20,124,133	3,064
Public works	2,426,515	2,451,332	2,423,577	27,755
Human services	1,601,329	1,614,932	1,545,678	69,254
Culture and recreation	695,204	695,504	691,720	3,784
Insurance and benefits	8,165,177	8,175,177	7,898,475	276,702
Debt service	2,547,715	2,547,715	2,495,801	51,914
Intergovernmental	436,277	436,277	478,465	(42,188)
Capital outlay	533,816	802,219	801,488	731
Transfers out	108,944	116,444	141,275	(24,831)
Other uses	<u>2,564</u>	<u>2,564</u>	<u>2,564</u>	<u>-</u>
Total Expenditures and Other Uses	<u>43,841,976</u>	<u>44,285,401</u>	<u>43,664,260</u>	<u>621,141</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,269,046</u>	\$ <u>2,269,046</u>

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

## TOWN OF FAIRHAVEN, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Sewer Digester Fund	Water Fund	Total	Internal Service Fund
<b>ASSETS</b>					
Current:					
Cash and short-term investments	\$ 3,877,325	\$ -	\$ 1,073,108	\$ 4,950,433	\$ 1,490,886
Investments	1,981,689	-	-	1,981,689	-
Deposits held by others	-	-	-	-	1,186,600
Receivables, net of allowance for uncollectibles:					
User fees	276,562	-	195,624	472,186	-
Special assessments	279,869	-	3,828	283,697	-
Other	-	-	-	-	2,458,825
Total current assets	6,415,445	-	1,272,560	7,688,005	5,136,311
Noncurrent:					
Receivables, net of allowance for uncollectibles:					
User fees	165,204	-	87,028	252,232	-
Special assessments	2,317,227	-	-	2,317,227	-
Capital assets:					
Land and construction in progress	1,545,957	-	1,524,634	3,070,591	-
Other capital assets, net of accumulated depreciation	15,817,861	9,730,000	2,721,893	28,269,754	-
Total noncurrent assets	19,846,249	9,730,000	4,333,555	33,909,804	-
<b>TOTAL ASSETS</b>	26,261,694	9,730,000	5,606,115	41,597,809	5,136,311
<b>LIABILITIES</b>					
Current:					
Accounts payable	294,243	-	22,983	317,226	2,683,434
Accrued liabilities	21,721	6,298	8,400	36,419	371,175
Notes payable	-	-	831,867	831,867	-
Other current liabilities	30,021	-	-	30,021	-
Current portion of long-term liabilities:					
Bonds payable	445,677	29,592	16,000	491,269	-
Accrued employee benefits	4,294	-	2,010	6,304	-
Total current liabilities	795,956	35,890	881,260	1,713,106	3,054,609
Noncurrent:					
Bonds payable, net of current portion	4,321,708	657,445	120,000	5,099,153	-
Accrued employee benefits, net of current portion	38,650	-	18,092	56,742	-
Other post-employment benefits	896,504	-	423,340	1,319,844	-
Total noncurrent liabilities	5,256,862	657,445	561,432	6,475,739	-
<b>TOTAL LIABILITIES</b>	6,052,818	693,335	1,442,692	8,188,845	3,054,609
<b>NET POSITION</b>					
Net investment in capital assets	12,596,432	9,042,963	3,278,660	24,918,055	-
Unrestricted	7,612,444	(6,298)	884,763	8,490,909	2,081,702
<b>TOTAL NET POSITION</b>	\$ 20,208,876	\$ 9,036,665	\$ 4,163,423	\$ 33,408,964	\$ 2,081,702

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

## TOWN OF FAIRHAVEN, MASSACHUSETTS

## PROPRIETARY FUNDS

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

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Sewer Digester Fund	Water Fund	Total	Internal Service Fund
<b>Operating Revenues:</b>					
Charges for services	\$ 2,816,356	\$ -	\$ 2,347,551	\$ 5,163,907	\$ -
Employee and employer contributions	-	-	-	-	9,650,320
Special assessments	548,857	-	3,554	552,411	-
Other	-	-	3,169	3,169	-
Total Operating Revenues	3,365,213	-	2,354,274	5,719,487	9,650,320
<b>Operating Expenses:</b>					
Personnel services	1,041,912	-	497,624	1,539,536	-
Non-personnel services	1,283,782	-	374,244	1,658,026	-
Depreciation	767,099	-	117,741	884,840	-
Intergovernmental	-	-	1,027,833	1,027,833	-
Employee benefits	-	-	-	-	8,871,378
Total Operating Expenses	3,092,793	-	2,017,442	5,110,235	8,871,378
Operating Income (Loss)	272,420	-	336,832	609,252	778,942
<b>Nonoperating Revenues (Expenses):</b>					
Investment income	65,254	-	190	65,444	961
Interest expense	(208,802)	(17,992)	(4,379)	(231,173)	-
Total Nonoperating Revenues (Expenses), Net	(143,548)	(17,992)	(4,189)	(165,729)	961
Income (Loss) Before Transfers	128,872	(17,992)	332,643	443,523	779,903
<b>Transfers:</b>					
Transfers in	-	42,169	-	42,169	-
Transfers out	(607,752)	-	(404,000)	(1,011,752)	-
Total transfers in (out)	(607,752)	42,169	(404,000)	(969,583)	-
Change in Net Position	(478,880)	24,177	(71,357)	(526,060)	779,903
Net Position at Beginning of Year	20,687,756	9,012,488	4,234,780	33,935,024	1,301,799
Net Position at End of Year	\$ 20,208,876	\$ 9,036,665	\$ 4,163,423	\$ 33,408,964	\$ 2,081,702

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

## TOWN OF FAIRHAVEN, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Sewer Digester Fund	Water Fund	Total	Internal Service Fund
<b><u>Cash Flows From Operating Activities:</u></b>					
Receipts from customers and users	\$ 3,707,205	\$ -	\$ 2,339,779	\$ 6,046,984	\$ 7,191,494
Payments to vendors and employees	(1,998,394)	-	(2,023,812)	(4,022,206)	(7,069,816)
Net Cash Provided By (Used For) Operating Activities	1,708,811	-	315,967	2,024,778	121,678
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>					
Transfers out	(607,752)	-	(404,000)	(1,011,752)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	(607,752)	-	(404,000)	(1,011,752)	-
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>					
Acquisition and construction of capital assets	(999,785)	-	(156,805)	(1,156,590)	-
Proceeds from issuance of bonds and notes	-	-	387,085	387,085	-
Transfers in	-	42,169	-	42,169	-
Principal payments on bonds and notes	(441,274)	(28,963)	(214,000)	(684,237)	-
Interest expense	(209,597)	(13,206)	(3,724)	(226,527)	-
Net Cash (Used For) Capital and Related Financing Activities	(1,650,656)	-	12,556	(1,638,100)	-
<b><u>Cash Flows From Investing Activities:</u></b>					
Investments	(1,981,689)	-	-	(1,981,689)	-
Investment income	65,254	-	190	65,444	961
Net Cash Provided By Investing Activities	(1,916,435)	-	190	(1,916,245)	961
Net Change in Cash and Short-Term Investments	(2,466,032)	-	(75,287)	(2,541,319)	122,639
Cash and Short-Term Investments, Beginning of Year	6,343,357	-	1,148,395	7,491,752	1,368,247
Cash and Short-Term Investments, End of Year	\$ 3,877,325	\$ -	\$ 1,073,108	\$ 4,950,433	\$ 1,490,886
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u></b>					
Operating income (loss)	\$ 272,420	\$ -	\$ 336,832	\$ 609,252	\$ 778,942
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	767,099	-	117,741	884,840	-
Changes in assets and liabilities:					
User fees	(46,703)	-	(17,772)	(64,475)	-
Special assessments	400,181	-	3,727	403,908	-
Other receivables	-	-	-	-	(2,458,825)
Accounts payable	181,504	-	(152,857)	28,647	1,814,495
Accrued liabilities	(11,980)	-	(6,272)	(18,252)	(12,934)
Other liabilities	146,290	-	34,568	180,858	-
Net Cash Provided By (Used For) Operating Activities	\$ 1,708,811	\$ -	\$ 315,967	\$ 2,024,778	\$ 121,678

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



## TOWN OF FAIRHAVEN, MASSACHUSETTS

## FIDUCIARY FUNDS

## STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Pension Trust Fund (As of <u>December 31, 2013</u> )	Other Post- Employment Benefits <u>Trust Fund</u>	Private Purpose <u>Trust Fund</u>	Agency <u>Fund</u>
<b><u>ASSETS</u></b>				
Cash and short-term investments	\$ 1,414,102	\$ 385	\$ 269,914	\$ 474,489
Investments	46,052,531	89,535	250,517	-
Accounts receivable	<u>95,811</u>	<u>-</u>	<u>-</u>	<u>45,554</u>
Total Assets	47,562,444	89,920	520,431	520,043
<b><u>LIABILITIES AND NET POSITION</u></b>				
Warrants payable	-	-	-	73,121
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>446,922</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>520,043</u>
<b><u>NET POSITION</u></b>				
Total net position held in trust	\$ <u><u>47,562,444</u></u>	\$ <u><u>89,920</u></u>	\$ <u><u>520,431</u></u>	\$ <u><u>-</u></u>

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

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

	Pension Trust Fund (For the Year Ended December 31, 2013)	Other Post- Employment Benefits Trust Fund	Private Purpose Trust Fund
<b>Additions:</b>			
Contributions:			
Employers	\$ 2,519,952	\$ -	\$ -
Plan members	1,092,057	-	-
Other	<u>156,239</u>	<u>-</u>	<u>11,400</u>
Total contributions	3,768,248	-	11,400
Investment Income (Loss):			
Investment income	3,329,643	4,311	3,455
Increase in fair value of investments	2,935,153	4,835	27,986
Less: management fees	<u>(244,576)</u>	<u>-</u>	<u>-</u>
Net investment income	<u>6,020,220</u>	<u>9,146</u>	<u>31,441</u>
Total additions	9,788,468	9,146	42,841
<b>Deductions:</b>			
Benefit payments to plan members, beneficiaries, and other systems	3,646,161	-	-
Member refunds and transfers to other systems	253,109	-	-
Administrative expenses	93,003	-	-
Other	<u>-</u>	<u>-</u>	<u>23,150</u>
Total deductions	<u>3,992,273</u>	<u>-</u>	<u>23,150</u>
<b>Other financing sources (uses):</b>			
Transfer in	<u>-</u>	<u>25,000</u>	<u>-</u>
Net increase	<u>5,796,195</u>	<u>34,146</u>	<u>19,691</u>
<b>Net position:</b>			
Beginning of year	<u>41,766,249</u>	<u>55,774</u>	<u>500,740</u>
End of year	<u>\$ 47,562,444</u>	<u>\$ 89,920</u>	<u>\$ 520,431</u>

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

# TOWN OF FAIRHAVEN, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

The Fairhaven Contributory Retirement System (the System) was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information for the System can be obtained by contacting the System's retirement administrator, located at Town of Fairhaven, 40 Center Street, Fairhaven, MA 02719.

#### B. Government-wide and Fund Financial Statements

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

### Fund Financial Statements

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

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

#### Government-wide Financial Statements

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

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

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental fund:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- The *Sewer Fund* is used to account for the Town's sewer enterprise fund operations.
- The *Sewer Digester Fund* is used to account for all activity associated with the Town's construction of an anaerobic digester to convert sewer waste to biogas to generate heat and electricity.
- The *Water Fund* is used to account for the Town's water enterprise fund operations.

The self-insured medical and dental claims trust is reported as an *Internal Service Fund* in the accompanying financial statements.

The *Pension Trust Fund* accounts for the activities of the Fairhaven Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Other Post-Employment Benefits Trust Fund* is used to accumulate resources for future post-employment medical, dental, and life insurance benefits for retired employees and spouses or dependents of deceased Town employees.

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

The *Agency Fund* is custodial in nature and is used to account for funds held for others.

#### D. Cash and Short-Term Investments

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

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

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

#### E. Investments

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

Investments for the Town's trust funds consist of marketable securities, bonds, mutual funds, and certificates of deposit. Investments for the Contributory Retirement System (Pension Trust) consist of pooled investments in the State Pension Reserves Investment Trust (PRIT). Investments are carried at market value.

#### F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2014 tax levy reflected an excess capacity of \$81,959.

#### G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type

activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$25,000 (machinery and equipment) or \$100,000 (land, buildings and improvements and infrastructure) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40 - 50
Improvements	20 - 40
Infrastructure	30 - 60
Machinery and equipment	5 - 10

*H. Compensated Absences*

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*I. Long-Term Obligations*

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

*J. Fund Equity*

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

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

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

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

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

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



### *K. Use of Estimates*

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

## **2. Stewardship, Compliance, and Accountability**

### *A. Budgetary Information*

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

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

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

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

### *B. Budgetary Basis*

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 46,578,737	\$ 47,832,943
Other financing sources/uses (GAAP Basis)	<u>2,242,709</u>	<u>166,275</u>
Subtotal (GAAP Basis)	48,821,446	47,999,218
Adjust tax revenue to accrual basis	(224,497)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(392,559)
Add end-of-year appropriation carryforwards from expenditures	-	766,697
Record use of free cash	2,097,919	2,564
Record use of overlay surplus	50,585	-
Reverse effect of non-budgeted State contributions	(4,667,861)	(4,667,861)
Reverse non-budgeted activity	<u>(144,286)</u>	<u>(43,799)</u>
Budgetary Basis	<u>\$ 45,933,306</u>	<u>\$ 43,664,260</u>

D. Deficit Fund Equity

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

Non-Major Governmental Funds:	
Wood Elementary School Construction	\$ (309,864)
School grants	(2,995)
Town grants	(57,212)
Chapter 90 projects	<u>(130,178)</u>
Total	<u>\$ (500,249)</u>

The temporary deficits in these funds will be eliminated through future intergovernmental revenues.

### 3. **Cash and Short-term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." Neither the Town nor the Contributory Retirement System (System) have deposit policies for custodial credit risk.

As of June 30, 2014, \$3,254,794 of the Town's bank balance of \$22,104,585 was exposed to custodial credit risk as uninsured or uncollateralized.

As of December 31, 2013, the System reported cash and short-term investment balances totaling \$1,414,102.

### 4. **Investments**

#### A. Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year-end</u>			
			<u>AAA</u>	<u>A3</u>	<u>A1</u>	<u>Not Rated</u>
Certificates of deposits	\$ 1,508	N/A	\$ -	\$ -	\$ -	\$ 1,508
Federal agency securities	1,073	N/A	1,073	-	-	-
Corporate bonds	335	N/A	-	206	129	-
Corporate equities	1,051	N/A	-	-	-	1,051
Mutual funds	<u>2,683</u>	N/A	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,683</u>
Total investments	<u>\$ 6,650</u>		<u>\$ 1,073</u>	<u>\$ 206</u>	<u>\$ 129</u>	<u>\$ 5,242</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets is invested in any one security.

At December 31, 2013, the System maintained its investments in the State Investment Pool\* with a fair value of \$46,052,531. This investment type is not rated.

*\*Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

#### **B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the Town nor the System has policies for custodial credit risk.

All of the Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this risk with SIPC and Excess SIPC coverage.

As of December 31, 2013, all of the System's investments were exposed to custodial credit risk as uninsured and uncollateralized. The System manages this risk by holding all investments in the State pool (PRIT).

#### **C. Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in any one issuer. As of June 30, 2014, the Town did not any individual investments (other than mutual funds and federal agencies) exceeding 5% of total investments.

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT fund. Because all of the System's investments are held in the PRIT Fund's investment pool, concentration of credit risk cannot be readily determined.

#### D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Neither the Town nor the System have a formal investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from changing interest rates.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Certificates of deposit	\$ 1,508	\$ 582	\$ 926
Federal agency securities	1,073	1,073	-
Corporate bonds	<u>335</u>	<u>-</u>	<u>335</u>
Total	<u>\$ 2,916</u>	<u>\$ 1,655</u>	<u>\$ 1,261</u>

#### E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Neither the Town nor the System has policies for foreign currency risk.

### **5. Taxes Receivable**

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

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

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

Real Estate		
2014	\$ 488,951	
2013	2,645	
2012	<u>5,676</u>	497,272
Personal Property		
2014	9,431	
2013	4,345	
Prior	<u>6,281</u>	20,057
Tax Liens		1,182,011
I & E Liens		2,875
Tax Deferrals		5,906
Community Preservation		<u>14,754</u>
Total		<u>\$ 1,722,875</u>

#### 6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 175,765	\$ -
Excises	\$ 89,711	\$ -
Sewer	\$ -	\$ 29,864
Water	\$ -	\$ 19,107

#### 7. User Fee Receivables

In the governmental activities, this balance represents waterway user fees. In the business-type activities, this balance represents water and sewer usage charges, including unpaid charges that have been moved to tax bills and subsequently lienied.

#### 8. Departmental and Other Receivables

This balance consists primarily of ambulance charges and stop-loss adjustments due from the Town's health insurance carrier for medical claims in excess of stop-loss limits in the Town's self-insured internal service fund.

## 9. Special Assessments Receivable

This balance represents Title V, sewer, and water special assessment receivables.

## 10. Intergovernmental Receivables

This represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014, as well as funding to be provided by the Massachusetts School Building Authority (MSBA) for contracted reimbursement of approved school capital project expenditures.

## 11. Deposits Held by Others

This balance represents the total working deposit held by the Town's self-insured health administrator for ongoing medical and dental claims.

## 12. Notes Receivable

This balance represents the outstanding balance of home rehabilitation loans funded by Community Development Block Grants.

## 13. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings	\$ 44,731	\$ 22,316	\$ -	\$ 67,047
Improvements	9,888	707	-	10,595
Machinery and equipment	3,797	192	-	3,989
Infrastructure	26,251	731	-	26,982
Total capital assets, being depreciated	84,667	23,946	-	108,613
Less accumulated depreciation for:				
Buildings	(16,043)	(1,070)	-	(17,113)
Improvements	(3,766)	(347)	-	(4,113)
Machinery and equipment	(2,496)	(272)	-	(2,768)
Infrastructure	(10,652)	(657)	-	(11,309)
Total accumulated depreciation	(32,957)	(2,346)	-	(35,303)
Total capital assets, being depreciated, net	51,710	21,600	-	73,310
Capital assets, not being depreciated:				
Land	22,099	-	-	22,099
Construction in progress	21,466	726	(21,063)	1,129
Total capital assets, not being depreciated	43,565	726	(21,063)	23,228
Governmental activities capital assets, net	\$ 95,275	\$ 22,326	\$ (21,063)	\$ 96,538

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and system	\$ 25,751	\$ 9,730	\$ -	\$ 35,481
Improvements other than buildings	18,464	1,666	-	20,130
Machinery and equipment	<u>3,397</u>	<u>-</u>	<u>-</u>	<u>3,397</u>
Total capital assets, being depreciated	47,612	11,396	-	59,008
Less accumulated depreciation for:				
Buildings and system	(20,142)	(326)	-	(20,468)
Improvements other than buildings	(7,092)	(415)	-	(7,507)
Machinery and equipment	<u>(2,619)</u>	<u>(144)</u>	<u>-</u>	<u>(2,763)</u>
Total accumulated depreciation	<u>(29,853)</u>	<u>(885)</u>	<u>-</u>	<u>(30,738)</u>
Total capital assets, being depreciated, net	17,759	10,511	-	28,270
Capital assets, not being depreciated:				
Land	989	-	-	989
Construction in progress	<u>12,320</u>	<u>1,052</u>	<u>(11,291)</u>	<u>2,081</u>
Total capital assets, not being depreciated	<u>13,309</u>	<u>1,052</u>	<u>(11,291)</u>	<u>3,070</u>
Business-type activities capital assets, net	<u>\$ 31,068</u>	<u>\$ 11,563</u>	<u>\$ (11,291)</u>	<u>\$ 31,340</u>

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

<b>Governmental Activities:</b>	
General government	\$ 90
Public safety	167
Education	1,151
Public works	829
Culture and recreation	<u>109</u>
Total depreciation expense - governmental activities	<u>\$ 2,346</u>
<b>Business-Type Activities:</b>	
Sewer fund	\$ 767
Water fund	<u>118</u>
Total depreciation expense - business-type activities	<u>\$ 885</u>

#### 14. Warrants and Accounts Payable

Warrants payable represent 2014 expenditures paid by July 15, 2014.  
Accounts payable represent additional 2014 expenses paid after the close of the fiscal year.



**15. Accrued Liabilities**

Accrued liabilities consists primarily of year-end payroll and withholdings, self-insured health and dental claims incurred but not yet recorded, and accrued interest on long-term debt.

**16. Tax Refunds Payable**

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

**17. Notes Payable**

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

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/14</u>
<u>Governmental Activities:</u>				
Bond anticipation	0.30%	06/24/14	09/24/14	\$ 400,000
<u>Business-Type Activities:</u>				
Water - MWPAT loan	0.11%	04/15/13	12/31/14	<u>831,867</u>
Total				<u>\$ 1,231,867</u>

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

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
<u>Governmental Activities:</u>				
Bond anticipation	\$ 5,000,000	\$ -	\$ (5,000,000)	\$ -
Bond anticipation	4,000,000	-	(4,000,000)	-
Bond anticipation	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>400,000</u>
	<u>\$ 9,000,000</u>	<u>\$ 400,000</u>	<u>\$ (9,000,000)</u>	<u>\$ 400,000</u>
<u>Business-Type Activities:</u>				
Water - MWPAT loan	\$ 580,782	\$ 251,085	\$ -	\$ 831,867
Water - Bond anticipation	<u>214,000</u>	<u>-</u>	<u>(214,000)</u>	<u>-</u>
Total	<u>\$ 794,782</u>	<u>\$ 251,085</u>	<u>\$ (214,000)</u>	<u>\$ 831,867</u>

## 18. Long-Term Debt

### A. General Obligation Bonds

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

	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/14</u>
<u>Governmental Activities:</u>			
High school - refunding	06/15/17	2.1 - 5.0%	\$ 4,720,000
Title V MWPAT	08/01/18	0.0%	54,340
Elementary school MSBA	11/01/18	2.0%	743,571
Title V MWPAT	02/01/21	0.0%	47,112
Elementary school	12/15/24	3.0 - 4.4%	550,000
Elementary school	03/15/27	3.8 - 5.0%	2,600,000
Elementary school	11/01/33	3.0 - 4.0%	<u>9,064,000</u>
Total Governmental Activities:			<u>\$ 17,779,023</u>

	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/14</u>
<u>Business-Type Activities:</u>			
Sewer - Boulder Park MWPAT	08/01/18	4.0 - 5.2%	\$ 99,000
Sewer - Nancy St	12/15/24	3.0 - 4.4%	250,000
Sewer - Sconticut Neck	12/15/24	3.0 - 4.4%	3,410,000
Sewer - UV Disinfection	12/15/24	3.0 - 4.4%	840,000
Sewer - USDA Rural Development	02/02/26	4.5%	168,385
Sewer Digester	01/15/33	2.0%	687,037
Water - Boston Hill Water Tank	11/01/22	3.0 - 4.0%	<u>136,000</u>
Total Business-Type Activities:			<u>\$ 5,590,422</u>

### B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,375,293	\$ 651,671	\$ 3,026,964
2016	2,441,293	564,140	3,005,433
2017	2,521,293	458,106	2,979,399
2018	871,293	345,804	1,217,097
2019	871,293	317,147	1,188,440
2020 - 2024	3,538,558	1,238,283	4,776,841
Thereafter	<u>5,160,000</u>	<u>879,088</u>	<u>6,039,088</u>
Total	<u>\$ 17,779,023</u>	<u>\$ 4,454,239</u>	<u>\$ 22,233,262</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 491,269	\$ 206,633	\$ 697,902
2016	492,052	188,354	680,406
2017	493,772	169,206	662,978
2018	490,532	155,056	645,588
2019	492,433	130,314	622,747
2020 - 2024	2,325,929	369,426	2,695,355
Thereafter	<u>804,435</u>	<u>53,803</u>	<u>858,238</u>
Total	<u>\$ 5,590,422</u>	<u>\$ 1,272,792</u>	<u>\$ 6,863,214</u>

**C. Changes in General Long-Term Liabilities**

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

	Total Balance <u>7/1/13</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/14</u>	Less Current Portion <u>6/30/14</u>	Equals Long-Term Portion <u>6/30/14</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 10,567	\$ 9,064	\$ (1,852)	\$ 17,779	\$ (2,375)	\$ 15,404
Landfill post-closure	425	-	(25)	400	(25)	375
Accrued employee benefits	942	51	(5)	988	(99)	889
Special termination benefits	373	-	(51)	322	(55)	267
Other post-employment benefits	<u>10,768</u>	<u>3,739</u>	<u>(1,455)</u>	<u>13,052</u>	<u>-</u>	<u>13,052</u>
Totals	<u>\$ 23,075</u>	<u>\$ 12,854</u>	<u>\$ (3,388)</u>	<u>\$ 32,541</u>	<u>\$ (2,554)</u>	<u>\$ 29,987</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 5,924	\$ 136	\$ (470)	\$ 5,590	\$ (491)	\$ 5,099
Accrued employee benefits	68	1	(6)	63	(6)	57
Other post-employment benefits	<u>1,122</u>	<u>239</u>	<u>(41)</u>	<u>1,320</u>	<u>-</u>	<u>1,320</u>
Totals	<u>\$ 7,114</u>	<u>\$ 376</u>	<u>\$ (517)</u>	<u>\$ 6,973</u>	<u>\$ (497)</u>	<u>\$ 6,476</u>

## 19. Landfill Post-closure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at its former landfill site for thirty years after closure.

The \$400,000 reported as landfill post-closure care liability at June 30, 2014 represents the estimated future monitoring costs of the Town's former landfill, which was closed and capped in 1999. These costs will be captured annually as part of the Town's operating budget. Actual costs may be higher than estimates due to inflation, changes in technology, or changes in regulations.

## 20. Deferred Inflows of Resources

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

The following is a summary of deferred inflow of resources balances as of June 30, 2014:

	<u>Fund Basis</u>	
	<u>Governmental Funds</u>	
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Committed property taxes	\$ 1,561,897	\$ 14,754
Committed excises	252,695	-
Unearned revenue - intergovernmental grants	-	3,371,391
Unearned revenue - departmental and other	7,001	-
	<u>\$ 1,821,593</u>	<u>\$ 3,386,145</u>

## 21. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

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

## 22. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2014:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental funds reserves for the principal portion of permanent trust funds.

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

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

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose as established by management. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, fund balance voted to be used for the subsequent year's budget, and funds reserved by Town management for future debt service payments.

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

The following is a breakdown of the Town's fund balances at June 30, 2014:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 2,373,049	\$ 2,373,049
Total Nonspendable	-	2,373,049	2,373,049
Restricted			
Bonded projects	-	89	89
Special revenue funds	-	5,250,419	5,250,419
Expendable permanent funds	-	310,712	310,712
Total Restricted	-	5,561,220	5,561,220
Committed			
Carryover articles	446,597	-	446,597
Total Committed	446,597	-	446,597
Assigned			
Encumbrances	320,100	-	320,100
Reserve for expenditure	2,124,040	-	2,124,040
Future debt service	130,444	-	130,444
Total Assigned	2,574,584	-	2,574,584
Unassigned			
Stabilization funds	2,801,455	-	2,801,455
Undesignated	3,173,888	-	3,173,888
Capital project fund deficits	-	(309,864)	(309,864)
Special revenue fund deficits	-	(190,385)	(190,385)
Total Unassigned	5,975,343	(500,249)	5,475,094
Total Fund Balance	\$ 8,996,524	\$ 7,434,020	\$ 16,430,544

## 23. Interfund Transfers

The Town reports interfund transfers between various funds. The sum of all transfers presented in the table below agrees with the sum of interfund transfers presented in the governmental, proprietary, and fiduciary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2014:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
Governmental:			
General fund	\$ 2,016,929	\$ (166,275)	\$ 1,850,654
Nonmajor Funds:			
Special revenue funds:			
Ambulance	-	(735,645)	(735,645)
Waterways	24,831	(220,000)	(195,169)
Other	116,444	(91,701)	24,743
Subtotal - Governmental	<u>2,158,204</u>	<u>(1,213,621)</u>	<u>944,583</u>
Business-Type:			
Sewer fund	-	(607,752)	(607,752)
Sewer Digester fund	42,169	-	42,169
Water fund	-	(404,000)	(404,000)
Subtotal - Business-Type	<u>42,169</u>	<u>(1,011,752)</u>	<u>(969,583)</u>
Fiduciary Funds:			
OPEB Trust	25,000	-	25,000
Total	<u>\$ 2,225,373</u>	<u>\$ (2,225,373)</u>	<u>\$ -</u>

In fiscal year 2014, the Town voted to transfer \$548,000 and \$404,000 respectively, from the sewer and water enterprise funds to the general fund to cover a portion of direct shared costs for employee insurance and pension benefits, as well as a portion of indirect costs for administrative, audit, information technology, and general insurance.

## 24. **Commitments and Contingencies**

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

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

## 25. **Post-Employment Healthcare and Life Insurance Benefits**

### **Other Post-Employment Benefits**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recog-

dition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

*A. Plan Description*

In addition to providing pension benefits, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. As of July 1, 2012, the most recent actuarial valuation date, approximately 229 retirees and 393 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

The Town provides various medical, dental, and life insurance benefits to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

*C. Funding Policy*

Retirees contribute 40% of premiums for medical, 50% of premiums for dental and 45% of premiums for life insurance. The Town contributes the remainder of the costs on a pay-as-you-go basis.

*D. Annual OPEB Costs and Net OPEB Obligation*

The Town's fiscal 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2012.

Annual Required Contribution (ARC)	\$ 3,811,322
Interest on net OPEB obligation	475,594
Adjustment to ARC	(661,146)
Amortization of actuarial gains (losses)	<u>352,676</u>
Annual OPEB cost	3,978,446
Contributions made	<u>(1,495,986)</u>
Increase in net OPEB obligation	2,482,460
Net OPEB obligation - beginning of year	<u>11,889,847</u>
Net OPEB obligation - end of year	<u><u>\$ 14,372,307</u></u>



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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 3,978,446	37.6%	\$ 14,372,307
2013	\$ 3,785,887	37.3%	\$ 11,889,847
2012	\$ 4,464,458	44.4%	\$ 9,516,746

*E. Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 39,723,469
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 39,723,469</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 12,680,019</u>
UAAL as a percentage of covered payroll	<u>313.3%</u>

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

*F. Actuarial Methods and Assumptions*

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

In the July 1, 2012 actuarial valuation the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return, compensation increases of 3% per year, a general inflation assumption of 2.5% per annum, and an initial annual healthcare cost trend rate of 11%, which decreases to a 5% long-term rate for all healthcare benefits after eight years. The amortization of UAAL is a level dollar amortization over 30 years at the last valuation, with a remaining amortization period of 26 years at July 1, 2012.

In the July 1, 2012 actuarial valuation, the actuarial value of plan assets was \$0. However, in fiscal year 2012, the Town voted to accept the provisions of Massachusetts General Law Chapter 32B, Section 20 and established an Other Post-Employment Benefits Trust Fund for the purpose of funding future financial obligations of the Town for health insurance benefits of retirees. As of June 30, 2014, the total net position of this trust was \$89,920.

## 26. **Contributory Retirement System**

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

### A. Plan Description and Contribution Information

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Fairhaven Contributory Retirement System (FCRS), a cost-sharing, multiple-employer defined benefit PERS. Eligible employees must participate in the FCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the FCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The FCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at January 1, 2014, the date of the latest actuarial valuation:

Retired members and survivors	185
Vested terminated members	7
Active members	<u>261</u>
Total	<u>453</u>
Number of participating employers	2

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

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

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The Town's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2012	\$ 2,198,550	100%
2013	\$ 2,341,914	100%
2014	\$ 2,519,952	100%

**B. Summary of Significant Accounting Policies**

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value in accordance with PERAC requirements.

**C. Funded Status and Funding Progress**

The information presented below is from the Fairhaven Contributory Retirement System's most recent valuation. Amounts are presented in thousands.

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL) -</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as</u> <u>a Percent-</u> <u>age of</u> <u>Covered</u> <u>Payroll</u> <u>[(b-a)/c]</u>
01/01/14	\$ 47,562	\$ 64,658	\$ 17,096	73.6%	\$ 10,564	161.8%

The Schedule of Funding Progress following the Notes to Financial Statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

*D. Actuarial Methods and Assumptions*

The annual required contribution for the current year was determined as part of the actuarial valuation using the Entry Age Normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$17.1 million was calculated. The actuarial assumptions included an investment return of 7.75% per year and projected salary increases of 4.25 – 4.75% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3% on the first \$12,000 of benefit payments. Assets are valued at market value. As of December 31, 2013, the unfunded actuarially accrued liability is being amortized over 12 years with total appropriations increasing 5% each year until FY24 with final amortization payments in FY25.

*E. Teachers*

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute. All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

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

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

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

The Town's current year covered payroll for teachers and administrators was unavailable.

In fiscal year 2014, the Commonwealth of Massachusetts contributed \$4,667,861 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## 27. Self-Insurance

The Town self-insures against claims for employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

### Health Insurance

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for claims up to \$75,000 per individual. The claims liability represents an estimate of claims incurred but unpaid at year-end, based on past historical costs and claims paid subsequent to year-end.

Changes in the aggregate liability for claims for the year ended June 30, 2014 are as follows:

	<u>Health Coverage</u>
Claims liability, beginning of year	\$ 384,108
Claims incurred/recognized in fiscal year 2014	8,871,378
Claims paid in fiscal year 2014	<u>(8,884,311)</u>
Claims liability, end of year	<u>\$ 371,175</u>

## 28. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

## 29. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2014, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/13 (as previously reported)	Reclassification	Fund Equity 6/30/13 (as restated)
Wood Elementary School Construction	\$ (9,298,093)	\$ 9,298,093	\$ -
Nomajor Governmental Funds	<u>6,964,098</u>	<u>(9,298,093)</u>	<u>(2,333,995)</u>
Total	<u>\$ (2,333,995)</u>	<u>\$ -</u>	<u>\$ (2,333,995)</u>

**30. Implementation of New GASB Standards**

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

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

**(Unaudited)  
(Amounts Expressed in thousands)**

**Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/10	\$ 33,332	\$ 54,098	\$ 20,766	61.6%	\$ 10,027	207.1%
01/01/12	\$ 37,257	\$ 58,769	\$ 21,512	63.4%	\$ 10,430	206.3%
01/01/14	\$ 47,562	\$ 64,658	\$ 17,096	73.6%	\$ 10,564	161.8%

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 38,683	\$ 38,683	0.0%	\$ 16,098	240.3%
07/01/10	\$ -	\$ 48,462	\$ 48,462	0.0%	\$ 16,023	302.5%
07/01/12	\$ -	\$ 39,723	\$ 39,723	0.0%	\$ 12,680	313.3%

See Independent Auditors' Report.