

TOWN OF NATICK, MASSACHUSETTS

**INDEPENDENT AUDITOR'S REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2015

**TOWN OF NATICK, MASSACHUSETTS
 BASIC FINANCIAL STATEMENTS AND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	14
STATEMENT OF NET POSITION	14
STATEMENT OF ACTIVITIES	15
GOVERNMENTAL FUNDS – BALANCE SHEET	17
GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	19
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION	21
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	22
PROPRIETARY FUNDS – STATEMENT OF FUND NET POSITION	23
PROPRIETARY FUNDS – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION	24
PROPRIETARY FUNDS – STATEMENT OF CASH FLOWS	25
FIDUCIARY FUNDS – STATEMENT OF FIDUCIARY NET POSITION	26
FIDUCIARY FUNDS – STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	27
NOTES TO BASIC FINANCIAL STATEMENTS	28
REQUIRED SUPPLEMENTARY INFORMATION	77
GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	77
PENSION PLAN SCHEDULES	79
OTHER POSTEMPLOYMENT BENEFITS SCHEDULES	83
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	84

INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen
Town of Natick, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Natick, Massachusetts, as of and for the year ended June 30, 2015 (except for the Natick Contributory Retirement System, which is as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the Town of Natick, Massachusetts' basic financial statements as listed in the table of contents. We did not audit the financial statements of the Morse Institute in Natick (the Institute), which is the sole discretely presented component unit and represents 100% of the assets, net position and revenues of the discretely presented component unit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Institute, the sole discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts for the Institute, is based on the report of the other auditor. 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. The financial statements of the Institute, the sole discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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

Basis for Qualified Opinion on Discretely Presented Component Unit

As more fully described in Note 1, the financial statements of the Institute were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The amount by which this departure would affect the assets, net position and revenues of the Institute has not been determined.

Qualified Opinion

In our opinion, based on the report of the other auditor and as described in the “Basis for Qualified Opinion on Discretely Presented Component Unit” paragraph, the financial statements of the Institute presents fairly, in all material respects, the financial position of the Institute as of June 30, 2015, and the change in financial position for the year then ended in conformity with the cash basis of accounting.

Unmodified 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 Natick, Massachusetts, as of June 30, 2015 (except for the Natick Contributory Retirement System, which is as of and for the year ended December 31, 2014), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the fiscal year ended June 30, 2015, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result of the implementation of GASBS No. 68 and 71, the Town reported a restatement for the change in accounting principle (see Note 1). Our auditors’ opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis (located on pages 4 through 13) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 77 through 85) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Board of Selectmen
Town of Natick, Massachusetts

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016, on our consideration of the Town of Natick, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Natick, Massachusetts' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
March 17, 2016

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$85,860,812 (net position). The Town's governmental activities have an unrestricted net deficit of \$87,371,905 and its business-type activities unrestricted net position totaled \$5,544,126.
- The Town's total net position decreased by \$1,821,559.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$57,713,384 a decrease of approximately \$2,000,000 in comparison with the prior year. Approximately \$19,821,000 represents unassigned fund balance.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$20,002,917, or 15% of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$11,385,644 during the fiscal year. The Town issued \$2,887,050 of new debt during the year for building construction, land improvements, infrastructure, departmental equipment and vehicles, and water/sewer related items.
- Implementation of GASB 68: The implementation of this statement resulted in, among other things, the establishment of a net pension liability in the Statement of Net Position, as well as deferred outflows and deferred inflows related to pension activities. The financial impact of implementing this statement is as follows:
 - Restatement of beginning (July 1, 2014) net position totaling \$68,456,493
 - Net pension liability totaling \$79,598,815 at June 30, 2015
 - Deferred outflows of resources totaling \$10,682,693 at June 30, 2015
 - Deferred inflows of resources totaling \$1,146,906 at June 30, 2015
 - 2015 pension expense totaling \$9,060,165
 - 2015 non-employer contributions related to pension expense totaling \$109,118

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

The **statement of net position** presents information on all of the Town's non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's water and sewer and golf course operations.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. 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 expendable resources, as well as on balances of expendable 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 effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

The Town maintains 462 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, high school project (capital project), debt service and conservation commission (special revenue) funds, each of which are considered to be major funds. Data from the other 458 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

Proprietary Funds

The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer and golf course operations. The water and sewer enterprise fund is considered to be major fund, while the golf course enterprise fund is considered nonmajor.

The basic proprietary funds financial statements can be found on pages 23-25 of this report.

Fiduciary Funds

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

The fiduciary funds provide separate information for the Town's pension trust fund. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-75 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension and other post-employment benefit information, which can be found on pages 77-85.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$85,860,812 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current Assets	\$ 74,770,795	\$ 78,727,626	\$ 16,054,613	\$ 17,600,458	\$ 90,825,408	\$ 96,328,084
Noncurrent Assets (Excluding Capital Assets)	451,968	507,787	1,366,352	1,494,001	1,818,320	2,001,788
Capital Assets (Net)	185,358,399	183,575,337	36,721,482	36,017,559	222,079,881	219,592,896
Total Assets	<u>260,581,162</u>	<u>262,810,750</u>	<u>54,142,447</u>	<u>55,112,018</u>	<u>314,723,609</u>	<u>317,922,768</u>
Deferred Outflows of Resources	<u>10,297,624</u>	<u>-</u>	<u>385,069</u>	<u>-</u>	<u>10,682,693</u>	<u>-</u>
Liabilities						
Current Liabilities (Excluding Debt)	12,301,121	13,737,153	1,474,021	339,944	13,775,142	14,077,097
Noncurrent Liabilities (Excluding Debt)	134,557,754	49,229,548	4,148,454	1,057,955	138,706,208	50,287,503
Current Debt	9,029,699	13,735,297	2,094,508	2,105,214	11,124,207	15,840,511
Noncurrent Debt	<u>62,629,605</u>	<u>67,506,718</u>	<u>12,163,422</u>	<u>14,072,075</u>	<u>74,793,027</u>	<u>81,578,793</u>
Total Liabilities	<u>218,518,179</u>	<u>144,208,716</u>	<u>19,880,405</u>	<u>17,575,188</u>	<u>238,398,584</u>	<u>161,783,904</u>
Deferred Inflows of Resources	<u>1,105,565</u>	<u>-</u>	<u>41,341</u>	<u>-</u>	<u>1,146,906</u>	<u>-</u>
Net Position						
Net Investment in Capital Assets	120,741,146	109,921,379	29,061,644	26,461,817	149,802,790	136,383,196
Restricted	17,885,801	24,417,521	-	-	17,885,801	24,417,521
Unrestricted	<u>(87,371,905)</u>	<u>(15,736,866)</u>	<u>5,544,126</u>	<u>11,075,013</u>	<u>(81,827,779)</u>	<u>(4,661,853)</u>
Total Net Position	<u>\$ 51,255,042</u>	<u>\$ 118,602,034</u>	<u>\$ 34,605,770</u>	<u>\$ 37,536,830</u>	<u>\$ 85,860,812</u>	<u>\$ 156,138,864</u>

The largest portion of the Town's net position (\$149,802,790) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, leasehold improvements, buildings, machinery and equipment, vehicles, library books and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (\$17,885,801) represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a net deficit of \$81,827,779. Of this amount \$5,544,126 may be used to support business-type activities and (\$87,371,905) represents an unrestricted net deficit in governmental activities.

At the end of the current fiscal year, the Town reports positive balances in all three categories of net position for business-type activities. For governmental activities, positive balances are reported in each category except for unrestricted net position. Such resources have been consumed with the recognition of other postemployment benefit liabilities and net pension liability.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Changes in Net Position

For the fiscal year ended June 30, 2015, the Town's total net position decreased by \$1,821,559, compared to an increase of \$2,994,048 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 13,213,142	\$ 11,370,119	\$ 13,623,413	\$ 15,099,368	\$ 26,836,555	\$ 26,469,487
Operating Grants and Contributions	24,350,149	26,500,572	96,157	89,859	24,446,306	26,590,431
Capital Grants and Contributions	2,006,170	2,460,406	606,150	633,200	2,612,320	3,093,606
<i>General Revenues:</i>						
Real Estate and Personal Property Taxes	96,385,818	93,575,853	-	-	96,385,818	93,575,853
Motor Vehicle and Other Excise Taxes	5,237,497	4,753,868	-	-	5,237,497	4,753,868
Hotel/Motel Taxes	1,403,267	1,355,092	-	-	1,403,267	1,355,092
Penalties and Interest on Taxes	524,650	502,478	-	-	524,650	502,478
Payments in Lieu of Taxes	34,822	35,150	-	-	34,822	35,150
Grants and Contributions not Restricted to Specific Programs	4,460,240	4,365,707	-	-	4,460,240	4,365,707
Unrestricted Investment Income	264,360	104,309	-	-	264,360	104,309
Total Revenues	148,016,064	145,023,554	14,325,720	15,822,427	162,341,784	160,845,981
Expenses						
General Government	8,814,464	8,434,027	-	-	8,814,464	8,434,027
Public Safety	25,714,773	23,140,955	-	-	25,714,773	23,140,955
Education	90,002,783	90,051,341	-	-	90,002,783	90,051,341
Public Works	15,318,136	14,236,690	-	-	15,318,136	14,236,690
Health and Human Services	3,598,114	3,068,367	-	-	3,598,114	3,068,367
Culture and Recreation	2,493,350	2,354,664	-	-	2,493,350	2,354,664
Library	3,034,937	3,023,358	-	-	3,034,937	3,023,358
Debt Service - Interest	2,585,442	2,544,567	-	-	2,585,442	2,544,567
Water and Sewer	-	-	11,606,496	10,244,364	11,606,496	10,244,364
Golf	-	-	994,848	753,600	994,848	753,600
Total Expenses	151,561,999	146,853,969	12,601,344	10,997,964	164,163,343	157,851,933
Change in Net Assets Before Transfers	(3,545,935)	(1,830,415)	1,724,376	4,824,463	(1,821,559)	2,994,048
Transfers, Net	2,187,847	1,952,379	(2,187,847)	(1,952,379)	-	-
Change in Net Assets	(1,358,088)	121,964	(463,471)	2,872,084	(1,821,559)	2,994,048
Net Assets - Beginning of Year (As Restated) *	52,613,130	118,480,070	35,069,241	34,664,746	87,682,371	153,144,816
Net Assets - End of Year	<u>\$ 51,255,042</u>	<u>\$ 118,602,034</u>	<u>\$ 34,605,770</u>	<u>\$ 37,536,830</u>	<u>\$ 85,860,812</u>	<u>\$ 156,138,864</u>

* During fiscal year 2015, the Town implemented GASB No. 68 to record the net pension liability. See Note 1.

Governmental activities decreased the Town's net position by \$1,358,088. In the prior year, governmental activities increased the Town's net position by \$121,964. The key element of this change is the implementation of GASB 68 which resulted in an increase in pension expense of approximately \$1,500,000.

Business-type activities decreased the Town's net position by \$463,471. In the prior year, business-type activities increased the Town's net position by \$2,872,084. The key element of this change is a decrease in water and sewer revenue user charges of approximately \$1,500,000 and increases of approximately \$1,000,000 for assessments and repair expenses.

Fund Financial Statement Analysis

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$57,713,384, a decrease of approximately \$2,000,000 in comparison with the prior year. 34.3% of this total amount (\$19,820,912) represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$14,046)
- Restricted (\$25,174,975)
- Committed (\$11,376,704)
- Assigned (\$1,326,747)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$20,002,917, while total fund balance was \$34,491,002. 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 and transfers out. Unassigned fund balance represents 15% of total general fund expenditures and transfers out, while total fund balance represents 26% of that same amount.

The balance of the Town's general fund increased by \$4,193,541 during fiscal year 2015. The Town recognized an approximate \$15,654,000 budgetary surplus (excluding encumbrances and continuing appropriations), and anticipated utilizing approximately \$11,750,000 of reserves during year.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the high school project fund (capital project) increased by \$1,093,328 during the current fiscal year. The fund recognized \$1,104,713 of intergovernmental revenue during the current year and incurred expenditures of \$11,385.

The fund balance of the debt service fund decreased by \$5,687,050 during the current fiscal year, which represents the payment of debt service.

The fund balance of the conservation commission fund (special revenue) decreased by \$169,991 during the current fiscal year. The fund recognized \$38,332 of investment income, \$35,095 in revenue and incurred expenditures of \$243,418.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer and golf course enterprise funds at the end of the year amounted to \$5,455,386 and \$88,740, respectively. The water and sewer enterprise fund had a decrease in net position for the year totaling \$359,220. The golf course enterprise fund had a decrease in net position for the year totaling \$104,251. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

General Fund Budgetary Highlights

The original general fund budget of \$125,806,375 was increased by \$4,392,404 (3.5%) during the year.

During the year, general fund revenues and other financing sources exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgeted appropriations, resulting in a positive budget to actual variance of approximately \$9,468,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$222,079,881 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, leasehold improvements, buildings, machinery and equipment, vehicles, library books and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled \$2,486,985 or 1.1%.

Major capital asset events that occurred during the current fiscal year include the following:

- Governmental Activity - Infrastructure (\$6,905,509)
- Water and Sewer – Infrastructure (\$5,623,592)
- Roadway improvements construction in progress (\$2,623,012)
- Cole North Field – Synthetic Turf (\$1,279,318)
- DPW Building – Addition (\$700,874)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 10,179,386	\$ 10,139,124	\$ 1,053,254	\$ 1,053,254	\$ 11,232,640	\$ 11,192,378
Construction in Progress	4,421,525	6,604,582	2,462,190	7,045,085	6,883,715	13,649,667
Land Improvements	4,055,894	2,597,600	1,431,444	1,724,274	5,487,338	4,321,874
Leasehold Improvements	596,255	617,176	-	-	596,255	617,176
Buildings	132,895,934	135,870,378	784,552	237,934	133,680,486	136,108,312
Machinery and Equipment	6,826,081	7,938,145	689,829	286,259	7,515,910	8,224,404
Vehicles	4,002,187	3,575,000	685,869	505,456	4,688,056	4,080,456
Library Books	899,030	859,499	-	-	899,030	859,499
Infrastructure	21,482,107	15,373,833	29,614,344	25,165,297	51,096,451	40,539,130
Total Capital Assets	<u>\$ 185,358,399</u>	<u>\$ 183,575,337</u>	<u>\$ 36,721,482</u>	<u>\$ 36,017,559</u>	<u>\$ 222,079,881</u>	<u>\$ 219,592,896</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 49-51 of this report.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$84,467,234, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 70,025,265	\$ 79,714,120	\$ 10,292,553	\$ 11,714,630	\$ 80,317,818	\$ 91,428,750
MWRA Notes	-	-	885,348	889,284	885,348	889,284
MWPAT Notes	184,039	204,376	3,080,029	3,330,468	3,264,068	3,534,844
Total Bond and Notes	<u>\$ 70,209,304</u>	<u>\$ 79,918,496</u>	<u>\$ 14,257,930</u>	<u>\$ 15,934,382</u>	<u>\$ 84,467,234</u>	<u>\$ 95,852,878</u>

The Town's total bonded debt decreased by \$11,385,644 (11.9%) during the current fiscal year. \$2,887,050 of new debt was issued during the year for building construction, land improvements, infrastructure, departmental equipment and vehicles, golf carts and water/sewer related items.

The Town received an AAA rating from Standard & Poor's for its most recent issuance of long-term debt on June 16, 2015.

Additional information on the Town's long-term debt can be found in Note 9 on pages 54-59 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Natick has seen continued growth over the past several years. Unemployment in Natick remained far below the national average (3.1% in December 2015 compared to the Commonwealth of Massachusetts average of 4.7%). Citizens and the Town of Natick alike still face challenges in maintaining the standard of living and services which many had grown accustomed to.

State Aid revenues in fiscal year 2015 improved once again over the previous year. In particular, Chapter 70 aid increased \$368,488 or 4.4% in FY 2015 versus FY 2014. The increase is due in part to additional funding being offered by the State and more directly due to the increase in enrollment in the Natick Public School System. As a result the Town was able to hire additional teachers and staff for the School Department to accommodate the increased student enrollment.

On another solid financial note the Town experienced higher new growth in property tax revenue than was originally estimated. A few developments were completed and factored into the new growth spike. While Natick continues to experience growth it can lead to significant increases in the number of students enrolled in the Natick Public School. The Town of Natick has increased its student enrollment by 850 students in the last 10 years. This type of growth is not easily supported within the constraints of proposition 2½. It necessitates strategic planning to determine funding mechanisms that will help to provide adequate staffing to meet the needs of existing and new students.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

The development of the fiscal year 2015 budget began as most do with the Town still facing a multi-million dollar budget gap. Given the limitations of Proposition 2½, Massachusetts communities like Natick are limited to the rate of increase in base property taxes to 2½% annually. This placed a large burden on other revenue categories to be as robust as possible to maintain services. Fortunately, the fiscal year 2016 budget maintains and enhances services from previous years, makes key restorations to the public schools and various other Town departments. Higher than anticipated state aid, lower than anticipated health care costs, and local revenues on the rise allowed the fiscal year 2016 budget to be balanced even with service enhancements.

The Town's fiscally conservative manner in which it budgets local revenues is working. The Town certified \$9.2 Million in free cash at the end of June 30, 2015 and intends to use a portion of this to fund needed staffing in the Natick Public Schools. The Town appropriated approximately \$1.4 Million into the Capital Stabilization Fund at the 2015 Fall Annual Town Meeting to help pay for future capital improvements. Natick's tax bill to an average household is still the fourth lowest of our surrounding Towns which makes owning property desirable.

The Town of Natick is embarking on a new Comprehensive Master Plan. At the 2015 Fall Annual Town Meeting, voters overwhelmingly supported an appropriation of \$200,000 to begin the Comprehensive Master Plan. This Plan will provide a process for public engagement and input into critical issues facing the town, including housing, land use, transportation, economic development, arts and culture, education and more.

Given the slow but improving economy, and the favorable changes in revenue and restoration of services in fiscal year 2016, future forecasts indicate the demand for service may outweigh the ability to pay for it. Further service level improvements will be difficult as the town will have many challenges to overcome. These include balance increasing school enrollments, revenues which are not forecast to be robust enough to keep up with increases in existing obligations (Health Insurance, Pensions, OPEB), the continuing need to rebuild reserves and the never-ceasing responsibility to manage and minimize taxpayer impact. However, the Town Administration successfully negotiated health insurance reform with the Public Employees Committee in fiscal year 2016 which will lower the employer portion of health care costs significantly starting in fiscal year 2017. Even with health care changes, the town is still concerned that a structural imbalance continues to occur in the creation of its' annual budget and that the use of one-time funding is relied upon too much each year. Long-range budget forecasting is becoming increasingly more important and useful for the Town.

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 its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 13 East Central Street, Natick, Massachusetts 01760.

This page intentionally left blank.

**TOWN OF NATICK, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Morse Institute
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 39,815,276	\$ 3,240,437	\$ 43,055,713	\$ 636,518
Restricted Cash and Cash Equivalents	21,807,430	7,437,731	29,245,161	-
Investments	2,745,375	1,093,657	3,839,032	1,850,245
Restricted Investments	4,408,514	-	4,408,514	-
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	1,088,728	-	1,088,728	-
Tax, Trash and Utility Liens	2,179,792	195,897	2,375,689	-
Motor Vehicle and Other Excise Taxes	413,196	-	413,196	-
User Charges	-	3,949,753	3,949,753	-
Special Assessments	21,627	127,710	149,337	-
Department and Other	362,531	-	362,531	-
Intergovernmental	1,918,365	-	1,918,365	-
Due from Other Funds	9,961	-	9,961	-
Inventory	-	9,428	9,428	-
Total Current Assets	<u>74,770,795</u>	<u>16,054,613</u>	<u>90,825,408</u>	<u>2,486,763</u>
Noncurrent Assets:				
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate Tax Deferrals	350,821	-	350,821	-
Special Assessments	101,147	1,309,300	1,410,447	-
Intergovernmental	-	57,052	57,052	-
Capital Assets not being Depreciated	14,600,911	3,515,444	18,116,355	-
Capital Assets, Net of Accumulated Depreciation	170,757,488	33,206,038	203,963,526	-
Total Noncurrent Assets	<u>185,810,367</u>	<u>38,087,834</u>	<u>223,898,201</u>	<u>-</u>
Total Assets	<u>260,581,162</u>	<u>54,142,447</u>	<u>314,723,609</u>	<u>2,486,763</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	10,297,624	385,069	10,682,693	-
LIABILITIES				
Current Liabilities:				
Warrants Payable	1,599,000	454,744	2,053,744	-
Accrued Payroll	6,021,353	42,028	6,063,381	-
Tax Refunds Payable	2,816,319	-	2,816,319	-
Other Liabilities	1,143,917	4,820	1,148,737	-
Accrued Interest	222,142	154,998	377,140	-
Capital Lease Obligations	61,277	-	61,277	-
Workers' Compensation Claims	222,489	-	222,489	-
Landfill Post-Closure	34,043	-	34,043	-
Compensated Absences	180,581	4,931	185,512	-
BAN Payable	1,450,000	812,500	2,262,500	-
Bonds and Note Payable	7,579,699	2,094,508	9,674,207	-
Total Current Liabilities	<u>21,330,820</u>	<u>3,568,529</u>	<u>24,899,349</u>	<u>-</u>
Noncurrent Liabilities:				
Capital Lease Obligations	470,271	-	470,271	-
Workers' Compensation Claims	184,765	-	184,765	-
Landfill Post-Closure	374,473	-	374,473	-
Compensated Absences	1,625,229	44,376	1,669,605	-
Net Pension Liability	76,729,588	2,869,227	79,598,815	-
Net OPEB Obligation	55,173,428	1,234,851	56,408,279	-
Bonds and Notes Payable	62,629,605	12,163,422	74,793,027	-
Total Noncurrent Liabilities	<u>197,187,359</u>	<u>16,311,876</u>	<u>213,499,235</u>	<u>-</u>
Total Liabilities	<u>218,518,179</u>	<u>19,880,405</u>	<u>238,398,584</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	1,105,565	41,341	1,146,906	-
NET POSITION				
Net Investment in Capital Assets	120,741,146	29,061,644	149,802,790	-
Restricted for:				
Other Post Employment Benefits	702,932	-	702,932	-
Conservation Commission	5,300,004	-	5,300,004	-
Infrastructure	2,604,736	-	2,604,736	-
Special Education	884,057	-	884,057	-
Debt Service	2,064,471	-	2,064,471	-
Permanent Funds:				
Expendable	188,789	-	188,789	-
Nonexpendable	14,046	-	14,046	1,241,819
Other Specific Purposes	6,126,766	-	6,126,766	-
Unrestricted	(87,371,905)	5,544,126	(81,827,779)	1,244,944
Total Net Position	<u>\$ 51,255,042</u>	<u>\$ 34,605,770</u>	<u>\$ 85,860,812</u>	<u>\$ 2,486,763</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	\$ 8,814,464	\$ 1,409,996	\$ 2,979,966	\$ 89,400	\$ (4,335,102)
Public Safety	25,714,773	4,074,193	295,421	-	(21,345,159)
Education	90,002,783	4,934,569	20,285,968	1,104,713	(63,677,533)
Public Works	15,318,136	1,263,949	177,184	812,057	(13,064,946)
Health and Human Services	3,598,114	331,532	494,047	-	(2,772,535)
Culture and Recreation	2,493,350	1,136,381	109,154	-	(1,247,815)
Library	3,034,937	62,522	3,883	-	(2,968,532)
Debt Service-Interest	2,585,442	-	4,526	-	(2,580,916)
Total Governmental Activities	<u>151,561,999</u>	<u>13,213,142</u>	<u>24,350,149</u>	<u>2,006,170</u>	<u>(111,992,538)</u>
Business-Type Activities:					
Water and Sewer	11,606,496	13,007,887	96,085	606,150	2,103,626
Golf	994,848	615,526	72	-	(379,250)
Total Business-Type Activities	<u>12,601,344</u>	<u>13,623,413</u>	<u>96,157</u>	<u>606,150</u>	<u>1,724,376</u>
Total Primary Governments	<u>\$ 164,163,343</u>	<u>\$ 26,836,555</u>	<u>\$ 24,446,306</u>	<u>\$ 2,612,320</u>	<u>\$ (110,268,162)</u>
Component Units:					
Morse Institute	<u>\$ 328,189</u>	<u>\$ 2,435</u>	<u>\$ 199,769</u>	<u>\$ -</u>	<u>\$ (125,985)</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
CHANGES IN NET POSITION				
Net (Expense) Revenue (From Previous Page)	\$ (111,992,538)	\$ 1,724,376	\$ (110,268,162)	\$ (125,985)
General Revenues:				
Real Estate and Personal Property Taxes	96,385,818	-	96,385,818	-
Motor Vehicle and Other Excise Taxes	5,237,497	-	5,237,497	-
Hotel/Motel Taxes	1,403,267	-	1,403,267	-
Penalties and Interest on Taxes	524,650	-	524,650	-
Payments in Lieu of Taxes	34,822	-	34,822	-
Grants and Contributions Not Restricted to Specific Programs	4,460,240	-	4,460,240	-
Unrestricted Investment Income	264,360	-	264,360	-
Transfers, Net	2,187,847	(2,187,847)	-	-
Total General Revenues and Transfers	<u>110,634,450</u>	<u>(2,187,847)</u>	<u>108,446,603</u>	<u>-</u>
CHANGE IN NET POSITION	(1,358,088)	(463,471)	(1,821,559)	(125,985)
Net Position - Beginning of Year (As Restated)	<u>52,613,130</u>	<u>35,069,241</u>	<u>87,682,371</u>	<u>2,612,748</u>
NET POSITION - END OF YEAR	<u>\$ 51,255,042</u>	<u>\$ 34,605,770</u>	<u>\$ 85,860,812</u>	<u>\$ 2,486,763</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

ASSETS	<u>General</u>	<u>High School Project Fund</u>	<u>Debt Service</u>
Cash and Cash Equivalents	\$ 39,815,276	\$ -	\$ -
Investments	2,745,375	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	1,088,728	-	-
Real Estate Tax Deferrals	350,821	-	-
Tax and Trash Liens	2,179,792	-	-
Motor Vehicle and Other Excise taxes	413,196	-	-
Special Assessments	22,240	-	-
Departmental and Other	362,531	-	-
Intergovernmental	180,283	-	-
Due from Other Funds	9,961	-	-
Restricted Assets:			
Cash and Cash Equivalents	1,084,121	2,451,993	-
Investments	700,513	-	-
Total Assets	<u>\$ 48,952,837</u>	<u>\$ 2,451,993</u>	<u>\$ -</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Warrants Payable	\$ 608,558	\$ -	\$ -
Accrued Payroll	5,514,784	-	-
Tax Refunds Payable	2,816,319	-	-
Other Liabilities	1,143,916	-	-
Short-Term Notes Payable	-	-	-
Total Liabilities	<u>10,083,577</u>	<u>-</u>	<u>-</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>4,378,258</u>	<u>-</u>	<u>-</u>
 FUND BALANCES			
Nonspendable	-	-	-
Restricted	1,784,634	2,451,993	-
Committed	11,376,704	-	-
Assigned	1,326,747	-	-
Unassigned	20,002,917	-	-
Total Fund Balances	<u>34,491,002</u>	<u>2,451,993</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 48,952,837</u>	<u>\$ 2,451,993</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

<u>Conservation Commission</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 39,815,276
-	-	2,745,375
-	-	1,088,728
-	-	350,821
-	-	2,179,792
-	-	413,196
-	100,533	122,773
-	-	362,531
-	1,738,082	1,918,365
-	-	9,961
2,320,033	15,951,284	21,807,431
<u>3,009,971</u>	<u>698,030</u>	<u>4,408,514</u>
<u>\$ 5,330,004</u>	<u>\$ 18,487,929</u>	<u>\$ 75,222,763</u>

\$ 30,000	\$ 960,442	\$ 1,599,000
-	506,569	6,021,353
-	-	2,816,319
-	-	1,143,916
-	1,450,000	1,450,000
<u>30,000</u>	<u>2,917,011</u>	<u>13,030,588</u>

<u>-</u>	<u>100,533</u>	<u>4,478,791</u>
----------	----------------	------------------

-	14,046	14,046
5,300,004	15,638,344	25,174,975
-	-	11,376,704
-	-	1,326,747
-	(182,005)	19,820,912
<u>5,300,004</u>	<u>15,470,385</u>	<u>57,713,384</u>

<u>\$ 5,330,004</u>	<u>\$ 18,487,929</u>	<u>\$ 75,222,763</u>
---------------------	----------------------	----------------------

**TOWN OF NATICK, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015**

	General	High School Project Fund	Debt Service
REVENUES			
Real Estate and Personal Property Taxes	\$ 96,643,595	\$ -	\$ -
Motor Vehicle and Other Excise Taxes	5,211,050	-	-
Hotel/Motel Tax	1,403,267	-	-
Tax and Trash Liens	823,985	-	-
Payments in Lieu of Taxes	34,822	-	-
Trash Disposal	906,726	-	-
Intergovernmental	19,445,225	1,104,713	-
Special Assessments	3,632	-	-
Penalties and Interest on Taxes	524,650	-	-
Licenses and Permits	2,858,788	-	-
Fines and Forfeitures	200,248	-	-
Departmental and Other	2,708,674	-	-
Contributions	-	-	-
Investment Income	359,692	-	-
Total Revenues	<u>131,124,354</u>	<u>1,104,713</u>	<u>-</u>
EXPENDITURES			
Current:			
General Government	5,285,544	-	-
Public Safety	14,629,595	-	-
Education	59,138,312	11,385	-
Public Works	11,198,276	-	-
Health and Human Services	1,639,217	-	-
Culture and Recreation	711,181	-	-
Library	2,161,858	-	-
Pension Benefits	7,119,320	-	-
Employee Benefits	15,209,525	-	-
Property and Liability Insurance	532,389	-	-
State and County Charges	1,450,370	-	-
Debt Service:			
Principal	8,195,297	-	5,550,000
Interest	2,582,870	-	137,050
Total Expenditures	<u>129,853,754</u>	<u>11,385</u>	<u>5,687,050</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,270,600</u>	<u>1,093,328</u>	<u>(5,687,050)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of Bonds and Notes	-	-	-
Proceeds from Capital Leases	209,000	-	-
Premium from Issuance of Bonds and Notes	134,243	-	-
Transfers In	3,246,785	-	-
Transfers Out	(667,087)	-	-
Total Other Financing Sources (Uses)	<u>2,922,941</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	4,193,541	1,093,328	(5,687,050)
Fund Balances - Beginning of Year	<u>30,297,461</u>	<u>1,358,665</u>	<u>5,687,050</u>
FUND BALANCES - END OF YEAR	<u>\$ 34,491,002</u>	<u>\$ 2,451,993</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

Conservation Commission	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 96,643,595
-	-	5,211,050
-	-	1,403,267
-	-	823,985
-	-	34,822
-	-	906,726
-	9,418,739	29,968,677
-	36,918	40,550
-	-	524,650
-	-	2,858,788
-	114,241	314,489
35,095	7,623,124	10,366,893
-	349,519	349,519
38,332	4,062	402,086
<u>73,427</u>	<u>17,546,603</u>	<u>149,849,097</u>
243,418	2,718,262	8,247,224
-	326,493	14,956,088
-	10,587,041	69,736,738
-	4,725,714	15,923,990
-	324,852	1,964,069
-	2,518,549	3,229,730
-	69,575	2,231,433
-	-	7,119,320
-	-	15,209,525
-	-	532,389
-	-	1,450,370
-	-	13,745,297
-	-	2,719,920
<u>243,418</u>	<u>21,270,486</u>	<u>157,066,093</u>
<u>(169,991)</u>	<u>(3,723,883)</u>	<u>(7,216,996)</u>
-	2,685,000	2,685,000
-	-	209,000
-	-	134,243
-	358,000	3,604,785
-	(749,851)	(1,416,938)
<u>-</u>	<u>2,293,149</u>	<u>5,216,090</u>
(169,991)	(1,430,734)	(2,000,906)
<u>5,469,995</u>	<u>16,901,119</u>	<u>59,714,290</u>
<u>\$ 5,300,004</u>	<u>\$ 15,470,385</u>	<u>\$ 57,713,384</u>

**TOWN OF NATICK, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2015**

Total Governmental Fund Balances (Page 18)	\$ 57,713,384
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	185,358,398
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	4,478,791
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(222,142)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and Notes Payable	(70,209,304)
Capital Lease Obligations	(531,548)
Workers' Compensation Claims	(407,254)
Landfill Post-Closure	(408,516)
Compensated Absences	(1,805,810)
Net Pension Liability, Net	(76,729,588)
Net OPEB Obligation	(55,173,428)
In the statement of net position, deferred outflows and inflows of resources are reported for amounts related to pensions. This amount represents the net deferred outflows and inflows.	<u>9,192,059</u>
Net Position of Governmental Activities (Page 14)	<u><u>\$ 51,255,042</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds (Page 20)	\$ (2,000,906)
<p>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. These amounts represent the related activity of the current period.</p>	
Capital Outlays	9,953,175
Depreciation	(8,121,753)
<p>In the statement of activities, the loss on the disposals of capital assets is reported, whereas in the governmental funds the disposals are not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed</p>	
	(48,359)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. 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 inflows of resources.</p>	
	(1,938,221)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of material premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Proceeds of Bonds	(2,685,000)
Bond Maturities	13,745,297
Net Amortization of Bond Premiums	(27,586)
Capital Lease Proceeds	(209,000)
Capital Lease Maturities	59,899
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.</p>	
	27,822
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Workers' Compensation	(284,838)
Landfill Post-Closure	34,043
Compensated Absences	134
Net Pension Liability	(10,740,684)
Net OPEB Obligation	(8,314,170)
<p>In the statement of activities, deferred outflows and inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows and inflows related to pensions</p>	
	9,192,059
Changes in Net Position of Governmental Activities (Page 16)	\$ (1,358,088)

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
JUNE 30, 2015**

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,959,865	\$ 280,572	\$ 3,240,437
Restricted Cash and Cash Equivalents	7,422,597	15,134	7,437,731
Investments	1,093,657	-	1,093,657
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges	3,949,753	-	3,949,753
Utility Liens	195,897	-	195,897
Special Assessments	127,710	-	127,710
Inventory	-	9,428	9,428
Total Current Assets	<u>15,749,479</u>	<u>305,134</u>	<u>16,054,613</u>
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Special Assessments	1,309,300	-	1,309,300
Intergovernmental	57,052	-	57,052
Capital Assets not being Depreciated	2,841,445	673,999	3,515,444
Capital Assets, Net of Accumulated Depreciation	<u>31,585,653</u>	<u>1,620,385</u>	<u>33,206,038</u>
Total Noncurrent Assets	<u>35,793,450</u>	<u>2,294,384</u>	<u>38,087,834</u>
Total Assets	<u>51,542,929</u>	<u>2,599,518</u>	<u>54,142,447</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	<u>378,064</u>	<u>7,005</u>	<u>385,069</u>
LIABILITIES			
Current Liabilities:			
Warrants Payable	\$ 444,164	\$ 10,580	\$ 454,744
Accrued Payroll	36,441	5,587	42,028
Other Liabilities	4,820	-	4,820
Accrued Interest	144,595	10,403	154,998
Compensated Absences	4,931	-	4,931
Short-Term Notes Payable	812,500	-	812,500
Long-Term Bonds and Notes Payable	<u>1,881,008</u>	<u>213,500</u>	<u>2,094,508</u>
Total Current Liabilities	<u>3,328,459</u>	<u>240,070</u>	<u>3,568,529</u>
Noncurrent Liabilities:			
Compensated Absences	44,376	-	44,376
Net Pension Liability	2,817,032	52,195	2,869,227
Net OPEB Obligation	1,106,103	128,748	1,234,851
Long-Term Bonds and Notes Payable	<u>11,180,082</u>	<u>983,340</u>	<u>12,163,422</u>
Total Noncurrent Liabilities	<u>15,147,593</u>	<u>1,164,283</u>	<u>16,311,876</u>
Total Liabilities	<u>18,476,052</u>	<u>1,404,353</u>	<u>19,880,405</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	<u>40,589</u>	<u>752</u>	<u>41,341</u>
FUND NET POSITION			
Net Investment in Capital Assets	27,948,966	1,112,678	29,061,644
Unrestricted	<u>5,455,386</u>	<u>88,740</u>	<u>5,544,126</u>
Total Net Position	<u>\$ 33,404,352</u>	<u>\$ 1,201,418</u>	<u>\$ 34,605,770</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 YEAR ENDED JUNE 30, 2015**

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
OPERATING REVENUES			
Charges for Services	\$ 13,007,887	\$ 615,526	\$ 13,623,413
OPERATING EXPENSES			
Cost of Service and Administration	3,578,967	608,562	4,187,529
MWRA Assessment	5,330,710	-	5,330,710
Repairs and Maintenance	622,548	21,888	644,436
Depreciation	1,433,100	111,555	1,544,655
Total Operating Expenses	<u>10,965,325</u>	<u>742,005</u>	<u>11,707,330</u>
OPERATING INCOME (LOSS)	<u>2,042,562</u>	<u>(126,479)</u>	<u>1,916,083</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental (Debt Subsidy)	69,295	-	69,295
Premium from Issuance of Bonds and Notes	3,263	-	3,263
Investment Income	23,528	72	23,600
Interest Expense	(484,561)	(50,033)	(534,594)
Loss on Disposal of Assets	(156,610)	(202,811)	(359,421)
Total Nonoperating Revenues (Expenses), Net	<u>(545,085)</u>	<u>(252,772)</u>	<u>(797,857)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>1,497,477</u>	<u>(379,251)</u>	<u>1,118,226</u>
Capital Contributions	606,150	-	606,150
Transfers In	164,000	309,087	473,087
Transfers Out	(2,626,847)	(34,087)	(2,660,934)
Total Capital Contributions and Transfers	<u>(1,856,697)</u>	<u>275,000</u>	<u>(1,581,697)</u>
CHANGE IN FUND NET POSITION	(359,220)	(104,251)	(463,471)
Fund Net Position - Beginning of Year (As Restated)	<u>33,763,572</u>	<u>1,305,669</u>	<u>35,069,241</u>
FUND NET POSITION - END OF YEAR	<u><u>\$ 33,404,352</u></u>	<u><u>\$ 1,201,418</u></u>	<u><u>\$ 34,605,770</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015**

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 14,049,121	\$ 614,148	\$ 14,663,269
Payments to Vendors	(7,771,278)	(414,434)	(8,185,712)
Payments to Employees	(1,589,491)	(191,906)	(1,781,397)
Net Cash Provided by Operating Activities	<u>4,688,352</u>	<u>7,808</u>	<u>4,696,160</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	164,000	309,087	473,087
Transfers Out	(2,207,400)	(34,087)	(2,241,487)
Net Cash Provided by Noncapital Financing Activities	<u>(2,043,400)</u>	<u>275,000</u>	<u>(1,768,400)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Issuance of Bonds and Notes	1,014,550	-	1,014,550
Premium from the Issuance of Bonds and Notes	3,263	-	3,263
Capital Contributions	606,150	-	606,150
Acquisition and Construction of Capital Assets	(2,607,999)	-	(2,607,999)
Principal Payments on Bonds and Notes	(1,884,424)	(220,790)	(2,105,214)
Interest Paid	(444,594)	(51,154)	(495,748)
Net Cash Used by Capital and Related Financing Activities	<u>(3,313,054)</u>	<u>(271,944)</u>	<u>(3,584,998)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments	(1,093,657)	-	(1,093,657)
Investment Income	23,528	72	23,600
Net Cash Provided by Investing Activities	<u>(1,070,129)</u>	<u>72</u>	<u>(1,070,057)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,738,231)	10,936	(1,727,295)
Cash and Cash Equivalents - Beginning of Year (Includes \$7,840,841 and \$18,994 Reported as Restricted in the Water and Sewer and Nonmajor Enterprise Funds, Respectively)	<u>12,120,693</u>	<u>284,770</u>	<u>12,405,463</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$7,422,597 and \$15,134 Reported as Restricted in the Water and Sewer and NonMajor Enterprise Funds, Respectively)	<u>\$ 10,382,462</u>	<u>\$ 295,706</u>	<u>\$ 10,678,168</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income (Loss)	2,042,562	(126,479)	1,916,083
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	1,433,100	111,555	1,544,655
Net Pension Liability	56,857	1,053	57,910
Net OPEB Obligation	170,459	30,564	201,023
Effect of Changes in Operating Assets and Liabilities:			
User Charges	74,670	-	74,670
Utility Liens	837,407	-	837,407
Special Assessments	129,157	-	129,157
Inventory	-	(1,378)	(1,378)
Warrants Payable	(18,874)	326	(18,548)
Accrued Payroll	(64,305)	(7,833)	(72,138)
Other Liabilities	4,820	-	4,820
Compensated Absences	22,499	-	22,499
Total Adjustments	<u>2,645,790</u>	<u>134,287</u>	<u>2,780,077</u>
Net Cash Provided by Operating Activities	<u>\$ 4,688,352</u>	<u>\$ 7,808</u>	<u>\$ 4,696,160</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Intergovernmental Debt Subsidies (MCWT)	<u>\$ 69,295</u>	<u>\$ -</u>	<u>\$ 69,295</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

ASSETS	Pension Trust Fund (as of December 31, 2014)	Private Purpose Trust Funds	Agency Funds
Cash and Cash Equivalents	\$ 1,971,677	\$ 7,989	\$ 622,818
Investments:			
Equities	65,327,312	42,952	-
Mutual Bond Funds	22,651,913	-	-
Real Estate	4,528,037	-	-
Fixed Income Securities	-	195,668	-
External Investment Pool	17,883,150	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Departmental and Other	-	-	306,736
Intergovernmental	3,895,257	-	-
Total Assets	116,257,346	246,609	\$ 929,554
 LIABILITIES			
Warrants Payable	-	-	\$ 25,846
Accrued Payroll	-	-	29,406
Liabilities Due Depositors	-	-	874,302
Due to Other Funds	-	9,961	-
Total Liabilities	-	9,961	\$ 929,554
 NET POSITION			
Restricted for Pension Benefits and Other Purposes	\$ 116,257,346	\$ 236,648	

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015**

	Pension Trust Fund (Year Ended December 31, 2014)	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 7,453,409	\$ -
Plan Members	3,343,806	-
Private Donations	-	356
Total Contributions	<u>10,797,215</u>	<u>356</u>
Net Investment Income:		
Net Appreciation in Fair Value of Investments	3,370,784	-
Interest	<u>4,904,452</u>	<u>783</u>
Total Investment Income	8,275,236	783
Less: Investment Expense	<u>(516,974)</u>	<u>-</u>
Net Investment Income	<u>7,758,262</u>	<u>783</u>
Intergovernmental	186,892	-
Transfers from Other Systems	<u>1,014,761</u>	<u>-</u>
Total Additions	<u>19,757,130</u>	<u>1,139</u>
DEDUCTIONS		
Administration	261,086	-
Retirement Benefits and Refunds	10,214,676	-
Transfers to Other Systems	495,188	-
Other	-	135,949
Total Deductions	<u>10,970,950</u>	<u>135,949</u>
CHANGE IN NET POSITION	8,786,180	(134,810)
Net Position - Beginning of Year	<u>107,471,166</u>	<u>371,458</u>
NET POSITION - END OF YEAR	<u>\$ 116,257,346</u>	<u>\$ 236,648</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

The Town of Natick, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

Fiduciary Fund Component Unit

The Town has included the Natick Contributory Retirement System (System) as a component unit (fiduciary fund) in the reporting entity because of the significance of its operational and financial relationship with the Town. Fiduciary fund component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

The System was established to provide retirement benefits to Town employees, the Natick Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), two members elected by the System's participants, one member appointed by the Town's Board of Selectmen and one member appointed by the System's four other Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds' financial statements.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC).

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Discretely Presented Component Unit

Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town has included the Morse Institute in Natick (Institute) as a discretely presented component unit because it is fiscally dependent on the Town and because the nature and significance of its relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading.

The Institute provides support to enhance the operations of the Town's public library and is exempt from federal and state income taxes as it is established under Section 501(c)(3) of the Internal Revenue Code.

The Institute issues separately audited cash basis financial statements, which is a comprehensive basis of accounting other than GAAP. The main difference is that the effect on earnings from accounts and pledges receivable as well as accounts payable and donated services are not recognized. Complete financial statements of the Institute, audited by another auditor, can be obtained directly from the Institute by contacting the Director at 14 East Central Street, Natick, Massachusetts 01760.

Joint Venture

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

South Middlesex Regional Vocational Technical High School District

The Town is indirectly liable for the South Middlesex Regional Vocational Technical High School District (District) debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's fiscal year 2015 assessment total approximately \$1,092,000. Separate audited financial statements may be obtained by contacting the District at 750 Winter Street, Framingham, Massachusetts 01702.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Implementation of New Accounting Principles

For the year ending June 30, 2015, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations and Disposal of Government Operations*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

The implementation of GASB Statement No.'s 67, 68 and 71 resulted in, among other things, the establishment of a net pension liability in the Statement of Net Position, as well as the deferred inflows and deferred outflows related to pension activities, and expanded note disclosure and required supplementary information. As a result, the City has restated its 2015 beginning net position to reflect the implementation of the Statement. The cumulative effect of change in accounting principle is as follows:

	Governmental Activities	Business-Type Activities	Water and Sewer	NonMajor Golf
Net Position, June 30, 2014, as Previously Reported	\$ 118,602,034	\$ 37,536,830	\$ 36,186,272	\$ 1,350,558
Cumulative Affect of Application of GASB 68, Net Pension Liability	(65,988,904)	(2,467,589)	(2,422,700)	(44,889)
Net Position, June 30, 2014, as Restated	<u>\$ 52,613,130</u>	<u>\$ 35,069,241</u>	<u>\$ 33,763,572</u>	<u>\$ 1,305,669</u>

The implementation of GASB Statement No. 69 had no reporting impact for the Town.

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and it's discretely presented component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees. Likewise, the primary government is reported separately from legally separate discretely presented component unit for which the primary government is financially accountable.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds 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. Nonmajor funds are aggregated and displayed in a single column.

Fiduciary funds are reported by fund type.

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment
- Grants and other contributions that are restricted to meeting the capital requirements of a specific function or segment

Taxes and other items not identifiable as program revenues are reported as general revenues.

Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *high school project fund* is a capital projects fund used to account for the design and construction of a new high school.

The *debt service fund* is used to account for the fiscal year 2014 current refunding transaction that was completed in fiscal year 2015.

The *conservation commission fund* is a special revenue fund used to account for various conservation projects.

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

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

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

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

The following proprietary funds are reported:

The *water and sewer* enterprise fund is reported as a major fund and is used to account for the Town's water and sewer activities.

The *golf course* enterprise fund is reported as a nonmajor fund and is used to account for the Sassamon Trace golf course activities.

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

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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 benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity and consist primarily of the police detail and school related funds. Agency funds do not present the results of operations or have a measurement focus.

F. Deposits and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. Fair value is based on quotations from a national securities exchange except for pooled funds, alternative investments and real estate, for which fair value is determined as follows:

Pooled Funds

The fair value of shares in managed investment pools is based on unit value reported by the funds.

Alternative Investments

Alternative investments are recorded at fair value as determined in good faith by the general partners of the venture capital firms after consideration of pertinent information, including current financial position and operating results, price-earnings multiples and available market prices of similar companies' securities, the nature of securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated.

Real Estate

The fair value of real estate funds is based on independent third-party appraisals. The investment managers of the funds are responsible for the reported value of those investments. However, the structure, risk profile, return potential and marketability of those investments differ from traditional equity and fixed income investments. Determination of the value of these investments involves subjective judgment because the actual market value can be determined only by negotiation between the parties to a sales transaction. As a result, the estimated values may differ significantly from the values that would have been used had a ready market for the real estate existed, and the differences could be material.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide and proprietary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to receivables in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

User Charges (Water and Sewer)

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed annually in December and are included as a lien on the property owner's tax bill. Water and sewer charges are recorded as receivables in the fiscal year of the commitment.

Special Assessments

Special assessments consist of sewer, sidewalk, street, RUST and Title V betterments and are recorded as receivables in the fiscal year accrued.

Departmental and Other

Departmental and other receivables primarily consist primarily of ambulance, police details and trash ("Pay as you Throw" (PAYT) program) and are recorded as receivables in the fiscal year accrued.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

H. Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other (excluding the PAYT program)

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User charges (water and sewer, including liens)
- Special assessments
- Departmental and other (PAYT program)

Intergovernmental receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

Inventories of the governmental activities, governmental funds and water and sewer enterprise fund are recorded as expenditures at the time of purchase. Such inventories consist primarily of supplies and are not material in total to the respective financial statements and therefore are not reported.

Inventories of the golf course enterprise fund are stated at weighted average cost.

J. Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Government-Wide and Proprietary Funds Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, library books and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

Capital Asset Type	Estimated Useful Life (in years)
Land Improvements	20-30
Buildings	20-40
Machinery and Equipment	5-10
Vehicles	5-15
Library Books	10
Infrastructure	10-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. All improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

L. Interfund Receivables and Payables

During the course of its operations, transactions occur between funds that may result in amounts owed between funds.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Receivables and Payables (Continued)

Government-Wide Financial Statements

Transactions of a buyer/seller nature between governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

M. Interfund Transfers

During the course of its operations, resources are permanently reallocated between funds.

Government-Wide Financial Statements

Transfers between governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

N. Deferred Outflows of Resources

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

Deferred outflows of resources related to pensions is reported in the government-wide financial statements statement of net position.

O. Deferred Inflows of Resources

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

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Inflows of Resources (Continued)

Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the availability criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

Deferred inflows of resources related to pensions is reported in the government-wide financial statements statement of net position.

P. Net Position and Fund Balances

Government-Wide Financial Statements and Proprietary Funds Financial Statements (Net Position)

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

Net position are reported as restricted when amounts are restricted by outside parties for a specific future use. Net position has been “restricted” for the following:

“Other postemployment benefits” represents amounts restricted for retirees’ benefits (see Note 11).

“Conservation” represents amounts restricted for conservation projects.

“Infrastructure” represents amounts restricted for infrastructure improvements from mitigation funds.

“Special education” represents amounts restricted for special education costs from Massachusetts “circuit breaker” funds.

“Debt service” represents amounts accumulated from the Massachusetts School Building Authority (MSBA) for future payment of long-term debt service costs associated with school construction and net bond premiums associated with excluded debt. These amounts will be amortized over future fiscal years.

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other specific purposes” represents restrictions placed on assets from outside parties.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

Assigned — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

Q. Long-Term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary funds statements of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Long-Term Debt (Continued)

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

R. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income derived from the proprietary and fiduciary funds is retained in the respective funds.

S. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

T. Pensions

Government-Wide and Proprietary Fund Financial Statements

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Natick Contributory Retirement System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are report by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits and as more fully described in Note 11, the Town provides health and life insurance coverage for current and future retirees and their spouses.

V. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

W. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases or transfers between departments subsequent to the approval of the annual budget require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service and other certain amounts, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2015 approved budget for the general fund authorized \$125,806,375 in appropriations and other amounts to be raised. During fiscal year 2015, supplemental appropriations totaling \$4,392,404 were authorized.

The Comptroller's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2015, expenditures exceeded appropriations for snow and ice removal (public works) in the amount of \$699,569. The snow and ice removal over-expenditures will be funded by taxes during fiscal year 2015.

C. Fund Deficits

At June 30, 2015, the following fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
Capital Improvements	\$ 126,212	Issuance of long-term debt
Substance Abuse Prevention	26,351	Federal Grant
Chapter 90	16,662	State Grant
Emergency Management Performance	12,780	Federal Grant

NOTE 3 DEPOSITS AND INVESTMENTS

Town (Excluding the Pension Trust Fund and Institute)

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts, and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT). The Treasurer also has expanded investment powers as it relates to certain trust funds (as defined by the Commonwealth), permanent funds and fiduciary funds.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the private purpose trust funds and the pension trust fund are held separately from other Town funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2015, \$29,303,112 of the Town's bank balance of \$72,884,964 was uninsured and uncollateralized.

Investments Summary

The Town's investments at June 30, 2015 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
<u>Debt Securities:</u>				
U.S. Treasuries	\$ 1,354,630	\$ -	\$ 1,354,630	\$ -
Corporate Bonds	466,776	188,901	277,875	-
Money Market Mutual Funds	722,220	722,220	-	-
Fixed Income Securities	289,393	268,613	9,842	10,938
Certificates of Deposit	5,417,627	2,006,553	3,411,074	-
External Investment Pools	1,850,253	1,850,253	-	-
Total Debt Securities	<u>10,100,899</u>	<u>\$ 5,036,540</u>	<u>\$ 5,053,421</u>	<u>\$ 10,938</u>
<u>Other Investments:</u>				
Equity Securities	329,611			
Equity Mutual Funds	628,130			
Total Other Investments	<u>957,741</u>			
Total Investments	<u>\$ 11,058,640</u>			

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2015, the Town's investments were not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2015, the credit quality ratings of the Town's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *					
		AAA	AA	A	A1	BBB+	Unrated
Corporate Bonds	\$ 466,776	\$ -	\$ 36,608	\$ 127,477	\$ 133,181	\$ 153,384	\$ 16,126
Money Market Mutual Funds	722,220	-	-	-	-	-	722,220
Fixed Income Securities	289,393	155,944	116,146	-	-	-	17,303
Certificates of Deposit	5,417,627	-	-	-	-	-	5,417,627
External Investment Pools	1,850,253	-	-	-	-	-	1,850,253
Total	<u>\$ 8,746,269</u>	<u>\$ 155,944</u>	<u>\$ 152,754</u>	<u>\$ 127,477</u>	<u>\$ 133,181</u>	<u>\$ 153,384</u>	<u>\$ 8,023,529</u>

*Per the rating scale of Standard and Poor's (a national credit rating organization).

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2015, the Town was not exposed to concentration of credit risk.

Pension Trust Fund (The System)

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. PRIT is administered by the Pension Reserves Investment Management Board. The reported value of the pool is the same as the fair value of the System's position in pool shares.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. As of December 31, 2014, the System's bank balance of \$1,971,677 was not exposed to custodial credit risk.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Summary

The System's investments at December 31, 2014 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1
<u>Debt Securities:</u>		
Mutual Bond Funds	\$ 22,651,913	\$ 22,651,913
External Investment Pool	17,883,150	17,883,150
Total Debt Securities	40,535,063	\$ 40,535,063
<u>Other Investments:</u>		
Equity Mutual Funds	65,327,312	
Pooled Real Estate Funds	4,528,037	
Total Other Investments	69,855,349	
Total Investments	\$ 110,390,412	

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System's policy regarding interest rate risk is that the duration of the fixed income portfolio shall be maintained within a range of +/- 15% of the duration of the fixed income benchmark designated in the "Manager Specific Guidelines".

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2014, the System's investments were not exposed to custodial credit risk.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System's policy regarding credit risk is that the average quality of all bond holdings should be maintained at an A rating or better unless otherwise stated in the "Manager Specific Guidelines". As of December 31, 2014, the credit quality ratings of the System's debt securities were unrated.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System does not have a policy for concentration of credit risk. As of December 31, 2014, the System was not exposed to concentration of credit risk.

The Institute (Discretely Presented Component Unit)

Investments Summary

The Institute's investments at June 30, 2015 are presented below. All investments are presented by investment type.

<u>Investment Type</u>	<u>Fair Value</u>
Common and Preferred Stock	<u>\$ 1,850,245</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2015, receivables for the individual major governmental funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real Estate and Personal Property Taxes	\$ 1,213,671	\$ (124,943)	\$ 1,088,728
Real Estate Tax Deferrals	350,821	-	350,821
Tax and Trash Liens	2,179,792	-	2,179,792
Motor Vehicle and Other Excise Taxes	597,380	(184,184)	413,196
Special Assessments	122,774	-	122,774
Departmental and Other	362,531	-	362,531
Intergovernmental	1,918,365	-	1,918,365
Total	<u>\$ 6,745,334</u>	<u>\$ (309,127)</u>	<u>\$ 6,436,207</u>

At June 30, 2015, receivables for the water and sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
User Charges	\$ 3,949,753	\$ -	\$ 3,949,753
Utility Liens	195,897	-	195,897
Special Assessments	1,437,010	-	1,437,010
Intergovernmental	57,052	-	57,052
Total	<u>\$ 5,639,712</u>	<u>\$ -</u>	<u>\$ 5,639,712</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 10,139,124	\$ 40,262	-	\$ 10,179,386
Construction in Progress	6,604,582	2,739,291	(4,922,348)	4,421,525
Total Capital Assets Not Being Depreciated	<u>16,743,706</u>	<u>2,779,553</u>	<u>(4,922,348)</u>	<u>14,600,911</u>
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	4,539,978	1,685,896	(196,693)	6,029,181
Leasehold Improvements	627,636	-	-	627,636
Buildings	186,912,144	1,581,980	(8,037,238)	180,456,886
Machinery and Equipment	12,903,222	405,113	(213,713)	13,094,622
Vehicles	8,069,083	1,307,766	(223,539)	9,153,310
Library Books	3,023,594	209,706	-	3,233,300
Infrastructure	43,747,703	6,905,509	-	50,653,212
Total Capital Assets Being Depreciated	<u>259,823,360</u>	<u>12,095,970</u>	<u>(8,671,183)</u>	<u>263,248,147</u>
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(1,942,378)	(223,711)	192,802	(1,973,287)
Leasehold Improvements	(10,461)	(20,920)	-	(31,381)
Buildings	(51,041,766)	(4,511,955)	7,992,769	(47,560,952)
Machinery and Equipment	(4,965,077)	(1,517,177)	213,713	(6,268,541)
Vehicles	(4,494,083)	(880,579)	223,539	(5,151,123)
Library Books	(2,164,095)	(170,175)	-	(2,334,270)
Infrastructure	(28,373,869)	(797,236)	-	(29,171,105)
Total Accumulated Depreciation	<u>(92,991,729)</u>	<u>(8,121,753)</u>	<u>8,622,823</u>	<u>(92,490,659)</u>
Total Capital Assets Being Depreciated, Net	<u>166,831,631</u>	<u>3,974,217</u>	<u>(48,360)</u>	<u>170,757,488</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 183,575,337</u>	<u>\$ 6,753,770</u>	<u>\$ (4,970,708)</u>	<u>\$ 185,358,399</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Business-Type Activity- Water/Sewer Enterprise:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 379,255	\$ -	\$ -	\$ 379,255
Construction in Progress	7,045,085	1,383,457	(5,966,352)	2,462,190
Total Capital Assets Not Being Depreciated	<u>7,424,340</u>	<u>1,383,457</u>	<u>(5,966,352)</u>	<u>2,841,445</u>
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	189,023	-	-	189,023
Buildings and Improvements	-	562,150	-	562,150
Machinery and Equipment	848,239	510,711	-	1,358,950
Vehicles	1,393,314	343,102	(163,763)	1,572,653
Infrastructure	51,730,149	5,623,592	-	57,353,741
Total Capital Assets Being Depreciated	<u>54,160,725</u>	<u>7,039,555</u>	<u>(163,763)</u>	<u>61,036,517</u>
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(80,334)	(9,451)	-	(89,785)
Buildings and Improvements	-	(7,754)	-	(7,754)
Machinery and Equipment	(643,212)	(87,892)	-	(731,104)
Vehicles	(887,858)	(153,458)	158,492	(882,824)
Infrastructure	(26,564,852)	(1,174,545)	-	(27,739,397)
Total Accumulated Depreciation	<u>(28,176,256)</u>	<u>(1,433,100)</u>	<u>158,492</u>	<u>(29,450,864)</u>
Total Capital Assets Being Depreciated, Net	<u>25,984,469</u>	<u>5,606,455</u>	<u>(5,271)</u>	<u>31,585,653</u>
Total Water/Sewer Enterprise Capital Assets, Net	<u>\$ 33,408,809</u>	<u>\$ 6,989,912</u>	<u>\$ (5,971,623)</u>	<u>\$ 34,427,098</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activity- Golf Course Enterprise:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 673,999	\$ -	\$ -	\$ 673,999
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	2,655,639	-	(238,610)	2,417,029
Buildings	266,453	-	-	266,453
Machinery and Equipment	243,524	-	(127,478)	116,046
Total Capital Assets Being Depreciated	<u>3,165,616</u>	<u>-</u>	<u>(366,088)</u>	<u>2,799,528</u>
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(1,040,054)	(80,568)	35,799	(1,084,823)
Buildings	(28,519)	(7,778)	-	(36,297)
Machinery and Equipment	(162,292)	(23,209)	127,478	(58,023)
Total Accumulated Depreciation	<u>(1,230,865)</u>	<u>(111,555)</u>	<u>163,277</u>	<u>(1,179,143)</u>
Total Capital Assets Being Depreciated, Net	<u>1,934,751</u>	<u>(111,555)</u>	<u>(202,811)</u>	<u>1,620,385</u>
Total Golf Course Enterprise Capital Assets, Net	<u>\$ 2,608,750</u>	<u>\$ (111,555)</u>	<u>\$ (202,811)</u>	<u>\$ 2,294,384</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 36,017,559</u>	<u>\$ 6,878,357</u>	<u>\$ (6,174,434)</u>	<u>\$ 36,721,482</u>

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

Governmental Activities:

General Government	\$ 379,036
Public Safety	912,418
Education	4,179,472
Public Works	1,867,631
Health and Human Services	265,230
Culture and Recreation	489,548
Library	28,418
Total Depreciation Expense - Governmental Activities	<u>\$ 8,121,753</u>

Business-Type Activities:

Water and Sewer	\$ 1,433,100
Golf	111,555
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,544,655</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and payables between funds at June 30, 2015 are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Private Purpose	\$ 9,961 (1)

(1) Represents cash advances

Interfund transfers for the fiscal year ended June 30, 2015 are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Water/Sewer Enterprise Fund	Nonmajor Golf Enterprise Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 309,087	\$ 358,000	\$ 667,087 (1)
Nonmajor Governmental Funds	585,851	164,000	-	-	749,851 (2)
Water/Sewer Enterprise Fund	2,626,847	-	-	-	2,626,847 (3)
Nonmajor Golf Enterprise Fund	34,087	-	-	-	34,087 (4)
	\$ 3,246,785	\$ 164,000	\$ 309,087	\$ 358,000	\$ 4,077,872

(1) Represents funding of debt service for the Sassamon Trace Golf Course (\$309,087); and budgeted transfers to the McDaniel Educational Trust (\$100,000) and capital projects reserve fund (\$258,000).

(2) Represents budgeted transfers from parking meters (\$80,000); Title V (\$7,684); MSBA debt service (\$123,167); FEDEX decision (\$75,000), Rte. 30 Signal (\$100,000) and Smart Growth Incentive (\$200,000) special revenue funds. Also represents a budgeted transfer from L.A. Fitness Mitigation fund (\$164,000) to fund sewer improvements.

(3) Represents budgeted transfer of indirect costs and transfer of costs from prior years

(4) Represents budgeted transfer of indirect costs

NOTE 7 SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Details related to the short-term debt activity for the fiscal year ended June 30, 2015 is as follows:

Notes Payable - Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
BAN	Cole Center Air Handler	6/16/15	4/29/16	1.25%	\$ -	\$ 80,000	\$ -	\$ 80,000
BAN	Police- Parking Meters	6/16/15	4/29/16	1.25%	-	120,000	-	120,000
BAN	IT Phone System Upgrade	6/16/15	4/29/16	1.25%	-	750,000	-	750,000
BAN	DPW Drainage- Willow Street	6/16/15	4/29/16	1.25%	-	350,000	-	350,000
BAN	Cole North Field	6/16/15	4/29/16	1.25%	-	150,000	-	150,000
Total					<u>\$ -</u>	<u>\$ 1,450,000</u>	<u>\$ -</u>	<u>\$ 1,450,000</u>

Notes Payable - Enterprise Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
BAN	Water Wells	6/16/15	4/29/16	1.25%	\$ -	\$ 100,000	\$ -	\$ 100,000
BAN	Sewer	6/16/15	4/29/16	1.25%	-	360,000	-	360,000
BAN	Pump Station Replacement	6/16/15	4/29/16	1.25%	-	230,000	-	230,000
BAN	DPW Expansion	6/16/15	4/29/16	1.25%	-	101,500	-	101,500
BAN	Speen St Sewer	6/16/15	4/29/16	1.25%	-	21,000	-	21,000
Total					<u>\$ -</u>	<u>\$ 812,500</u>	<u>\$ -</u>	<u>\$ 812,500</u>

NOTE 8 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Bonds and Notes Payable	\$ 79,918,496	\$ 2,685,000	\$ (13,745,297)	\$ 68,858,199	\$ 7,579,699
Unamortized Bond Premiums	1,323,519	134,243	(106,657)	1,351,105	-
Total Bonds and Notes Payable	81,242,015	2,819,243	(13,851,954)	70,209,304	7,579,699
Capital Lease Obligations	382,447	209,000	(59,899)	531,548	61,277
Workers' Compensation Claims	122,416	756,478	(471,640)	407,254	222,489
Landfill Post-Closure	442,559	-	(34,043)	408,516	34,043
Net Pension Liability*	66,007,463	19,012,646	(8,290,521)	76,729,588	-
Net OPEB Obligation	46,859,258	11,597,960	(3,283,790)	55,173,428	-
Compensated Absences	1,805,944	-	(134)	1,805,810	180,581
Total	<u>\$ 196,862,102</u>	<u>\$ 34,395,327</u>	<u>\$ (25,991,981)</u>	<u>\$ 205,265,448</u>	<u>\$ 8,078,089</u>
Business-Type Activities:					
Bonds and Notes Payable	\$ 15,934,382	\$ 202,050	\$ (2,105,214)	\$ 14,031,218	\$ 2,094,508
Unamortized Bond Premiums	242,907	-	(16,195)	226,712	-
Total Bonds and Notes Payable	16,177,289	202,050	(2,121,409)	14,257,930	2,094,508
Net Pension Liability*	2,468,283	710,959	(310,015)	2,869,227	-
Net OPEB Obligation	1,033,828	280,419	(79,396)	1,234,851	-
Compensated Absences	26,808	22,499	-	49,307	4,931
Total	<u>\$ 19,706,208</u>	<u>\$ 1,215,927</u>	<u>\$ (2,510,820)</u>	<u>\$ 18,411,315</u>	<u>\$ 2,099,439</u>

*Beginning Net Pension Liability balance represents the adjustment to net position as a result of the implementation of GASB 68. See Note 1.

The governmental activities long-term liabilities are generally liquidated by the general fund.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2015 and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
Morse Institute Library	08/01/14	5.26%	\$ 130,000	\$ -	\$ (130,000)	\$ -
Landfill Capping	05/15/16	5.30%	15,000	-	(10,000)	5,000
Oil Tank Removal / Remediation	05/15/15	5.29%	40,000	-	(40,000)	-
Morse Institute Library	05/15/15	5.30%	200,000	-	(200,000)	-
Municipal Complex (Town Hall / Safety)	05/15/15	5.29%	35,000	-	(35,000)	-
Septic Title V (MCWT) T5-97-1026	08/01/19	0.00%	45,720	-	(7,735)	37,985
Septic Title V (MCWT) T5-97-1026-1	08/01/22	0.00%	46,156	-	(5,102)	41,054
Lilja School	05/15/17	5.30%	35,000	-	(15,000)	20,000
Brown School	05/15/15	5.33%	40,000	-	(40,000)	-
Wilson Middle School	04/15/24	4.14%	4,900,000	-	(4,900,000)	-
Wilson Middle School	04/15/24	4.14%	650,000	-	(650,000)	-
M.P.L. of 2008	02/15/18	3.38-5.00%	965,000	-	(265,000)	700,000
Septic Title V (MCWT) T5-97-1026-B	07/15/28	0.00%	112,500	-	(7,500)	105,000
M.P.L. of 2010	06/15/20	2.00-2.75%	2,055,000	-	(365,000)	1,690,000
M.P.L. of 2011	06/15/31	2.00-5.00%	44,415,000	-	(2,875,000)	41,540,000
M.P.L. of 2012	06/01/24	2.00-4.00%	2,925,000	-	(490,000)	2,435,000
General Obligation Current Refunding Bonds of 2012	08/01/20	1.00-4.00%	5,970,370	-	(1,656,210)	4,314,160
M.P.L. of 2013	04/15/33	2.00-4.00%	7,660,000	-	(950,000)	6,710,000
General Obligation Current Refunding Bonds of 2014	06/15/24	2.00-5.00%	5,215,000	-	(550,000)	4,665,000
M.P.L. of 2014	06/15/29	2.00-5.00%	4,463,750	-	(553,750)	3,910,000
M.P.L. of 2015	06/30/30	2.50-3.00%	-	2,685,000	-	2,685,000
Total Governmental Funds			<u>\$ 79,918,496</u>	<u>\$ 2,685,000</u>	<u>\$ (13,745,297)</u>	<u>\$ 68,858,199</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 LONG-TERM (CONTINUED)

Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 7,579,699	\$ 2,513,165	\$ 10,092,864
2017	7,317,569	2,173,473	9,491,042
2018	6,484,859	1,899,682	8,384,541
2019	5,462,369	1,662,330	7,124,699
2020	5,062,659	1,440,269	6,502,928
2021	4,395,602	1,265,886	5,661,488
2022	4,017,721	942,618	4,960,339
2023	3,937,721	810,419	4,748,140
2024	3,832,500	706,464	4,538,964
2025	3,112,500	616,819	3,729,319
2026	3,002,500	538,357	3,540,857
2027	2,872,500	457,950	3,330,450
2028	2,872,500	367,638	3,240,138
2029	2,872,500	276,988	3,149,488
2030	2,775,000	187,688	2,962,688
2031	2,710,000	102,444	2,812,444
2032	275,000	17,188	292,188
2033	275,000	8,594	283,594
Total	<u>\$ 68,858,199</u>	<u>\$ 15,987,967</u>	<u>\$ 84,846,166</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Enterprise Fund (Water and Sewer)

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
Water Treatment Plant	05/15/17	3.25-3.75%	\$ 50,000	\$ -	\$ (20,000)	\$ 30,000
Sewer (Speen St, Park Ave)	11/01/26	4.03%	1,365,000	-	(105,000)	1,260,000
Water Treatment (MCWT)	08/01/24	2.00%	3,330,468	-	(250,438)	3,080,030
Water Mains - Lining	02/15/18	3.38-5.00%	1,200,000	-	(300,000)	900,000
M.P.L. of 2008-Departmental Equipment	02/15/17	3.38-5.00%	30,000	-	(10,000)	20,000
M.P.L. of 2010-Sewer	06/15/20	2.00-3.25%	180,000	-	(30,000)	150,000
M.P.L. of 2010-Departmental Equipment - Sewer	06/15/20	2.00-3.25%	150,000	-	(25,000)	125,000
M.P.L. of 2010-Water Mains - Lining	06/15/20	2.00-3.25%	360,000	-	(60,000)	300,000
M.P.L. of 2010-Well	06/15/20	2.00-3.25%	150,000	-	(25,000)	125,000
M.P.L. of 2010-Water Departmental Equipment	06/15/20	2.00-3.25%	300,000	-	(50,000)	250,000
Sewer (MWRA)	05/15/15	0.00%	15,477	-	(15,477)	-
M.P.L. of 2011-Water Mains - Lining	06/15/26	2.00-5.00%	635,000	-	(55,000)	580,000
Water Departmental Equipment	06/01/17	2.00-4.00%	90,000	-	(30,000)	60,000
Building Remodeling - Public Works	06/01/19	2.00-4.00%	45,000	-	(10,000)	35,000
Well	06/01/22	2.00-4.00%	240,000	-	(30,000)	210,000
Water Departmental Equipment	06/01/22	2.00-4.00%	200,000	-	(25,000)	175,000
Building Remodeling - Sewer	06/01/22	2.00-4.00%	400,000	-	(50,000)	350,000
Sewer (MWRA)	05/15/17	0.00%	118,107	-	(39,369)	78,738
General Obligation Current Refunding Bonds of 2012	08/01/20	1.00-4.00%	1,179,000	-	(240,000)	939,000
Sewer	04/15/28	2.00-4.00%	1,540,000	-	(110,000)	1,430,000
Water Departmental Equipment	04/15/23	2.00-4.00%	180,000	-	(20,000)	160,000
Well	04/15/23	2.00-4.00%	270,000	-	(30,000)	240,000
Sewer Current Refunding	04/15/22	2.00-4.00%	230,000	-	(30,000)	200,000
Sewer (MWRA)	05/15/19	0.00%	755,700	-	(151,140)	604,560
M.P.L. of 2014 Sewer	06/15/23	2.00-5.00%	583,000	-	(98,000)	485,000
M.P.L. of 2014 Water	06/15/29	2.00-5.00%	920,000	-	(75,000)	845,000
Sewer (MWRA)	02/15/25	0.00%	-	202,050	-	202,050
Total Water/Sewer Enterprise Fund			<u>\$ 14,516,752</u>	<u>\$ 202,050</u>	<u>\$ (1,884,424)</u>	<u>\$ 12,834,378</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,881,008	\$ 460,638	\$ 2,341,646
2017	1,878,755	390,486	2,269,241
2018	1,782,132	321,070	2,103,202
2019	1,374,753	255,821	1,630,574
2020	1,218,360	206,272	1,424,632
2021	934,107	158,388	1,092,495
2022	886,727	122,530	1,009,257
2023	766,474	86,474	852,948
2024	711,094	56,646	767,740
2025	675,968	31,612	707,580
2026	300,000	22,004	322,004
2027	250,000	11,692	261,692
2028	145,000	5,250	150,250
2029	30,000	900	30,900
Total	<u>\$ 12,834,378</u>	<u>\$ 2,129,780</u>	<u>\$ 14,964,158</u>

Bonds and Notes Payable – Enterprise Fund (Golf)

<u>Project</u>	<u>Maturity Dates</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2015</u>
General Obligation Current Refunding Bonds of 2012	08/01/19	1.00-4.00%	\$ 245,630	\$ -	\$ (43,790)	\$ 201,840
Municipal Golf Course Current Refunding	04/15/22	2.00-4.00%	1,055,000	-	(145,000)	910,000
Municipal Golf Carts	06/15/18	2.00-5.00%	117,000	-	(32,000)	85,000
Total Golf Enterprise Fund			<u>\$ 1,417,630</u>	<u>\$ -</u>	<u>\$ (220,790)</u>	<u>\$ 1,196,840</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Debt service requirements for principal and interest for golf course enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 213,500	\$ 46,454	\$ 259,954
2017	207,630	39,031	246,661
2018	197,340	30,432	227,772
2019	166,830	22,398	189,228
2020	161,540	15,731	177,271
2021	125,000	10,000	135,000
2022	125,000	4,999	129,999
Total	<u>\$ 1,196,840</u>	<u>\$ 169,045</u>	<u>\$ 1,365,885</u>

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Principal and interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2015, the Town's subsidy totaled approximately \$74,000. Future subsidies total approximately \$491,000. The amount of MCWT bonds outstanding at June 30, 2015, totaled \$3,264,069.

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan (payable in five equal annual installments). At June 30, 2015, the outstanding principal amount of these loans totaled \$885,348.

During fiscal year 2015, the Town issued \$2,685,000 of general obligation bonds for building construction, land improvements, infrastructure, departmental equipment and vehicles. The Town also issued \$202,050 in MWRA notes for sewer projects.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 LONG-TERM DEBT (CONTINUED)

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2015, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
High School Construction	\$ 8,136,308
Portable Classroom Installation	1,097,800
Pine Street Road Improvements	1,000,000
Sewer	766,950
Telephone System Replacements	750,000
Cole Field Improvements	605,000
Parking Garage	540,000
Willow Street Drainage	500,000
Sewer Station & Generator	360,000
Sewer I&I	359,480
Drainage	350,000
Well	300,000
Pond Street Sidewalk & Guardrail	285,000
SCADA PLU/CPU Equipment Replacement	285,000
Main Street Improvements	280,000
Truck S-31 Replacement	280,000
Recycling Side Arm Packer	275,000
Snow Blowers Replacement	275,000
Sewer Pump Station Replacement	230,000
Bucket Truck Replacement	200,000
VFD Installs & Controls	195,000
Parking Meters	170,200
DDC Controls-Ben Hem	150,000
Water	150,000
Sidewalk Machine Replacement H-61	142,000
Town Hall HVAC Roof Top	110,000
Public Works Expansion	101,500
Cole Center Air Handler	100,000
M-2 Truck Replacement	100,000
Charles River Dam	100,000
Police HVAC Replacement	55,000
Sewer	40,000
Golf Course Greens Aerator	28,000
Outdoor Recreational Facility	5,000
Kennedy School Portable classrooms	3,000
Public Works Expansion	500
Total	<u><u>\$ 18,325,738</u></u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 LANDFILL POSTCLOSURE CARE

State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1988 and, accordingly, was subsequently capped and funded via long-term debt. The Town has reflected \$408,516 as the estimated landfill post-closure care liability at June 30, 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS

Plan Description – The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the Plan) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2014, the latest actuarial valuation, is as follows:

Active Employees	1,078
Retired Employees and Spouses	<u>802</u>
Total	<u><u>1,880</u></u>

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates of Plan members and the Town (including Medicare Part B) are 50%, respectively. The Plan members and Town each contribute 50% towards a \$5,000 term life insurance premium. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

The Town has established an OPEB Trust pursuant to the adoption of MGL Chapter 32B, Section 20. The adoption of this law did not establish an OPEB Trust in accordance with GASB requirements and as such the funds accumulated are reported as restricted in the General Fund. The OPEB Trust fund balance at June 30, 2015 totaled \$702,932.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table identifies the components of the Town's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the Town net OPEB obligation:

	Amount
Annual Required Contribution	\$ 12,363,990
Interest on Net OPEB Obligation	1,915,723
Adjustment to Annual Required Contribution	(2,401,334)
Annual OPEB Cost	11,878,379
Contributions Made	(3,363,186)
Increase in Net OPEB Obligation	8,515,193
Net OPEB Obligation at Beginning of Year	47,893,086
Net OPEB Obligation at End of Year	\$ 56,408,279

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2013	\$ 11,285,316	32.8%	\$ 39,333,198
June 30, 2014	11,793,312	27.4%	47,893,086
June 30, 2015	11,878,379	28.3%	56,408,279

Funded Status and Funding Progress – The funded status of the Plan at July 1, 2014, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/14	\$ -	\$ 125,121,360	\$ 125,121,360	-	\$ 62,012,283	202%

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2014
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of projected payroll
Remaining amortization period:	22.81 years at June 30, 2015
Interest discount rate:	4.00%
Healthcare/Medical cost trend rate:	9.00% in 2014 to an ultimate level of 5.00% in 2018
Projected salary increases:	2.50% annually

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Allocation of AOPEBC – AOPEBC costs were allocated to the Town’s functions as follows:

Governmental Activities:	
General Government	\$ 984,615
Public Safety	2,885,482
Education	6,824,698
Public Works	531,443
Health and Human Services	60,257
Culture and Recreation	77,417
Library	<u>234,048</u>
Total AOPEBC - Governmental Activities	<u>11,597,960</u>
 Business-Type Activities:	
Water and Sewer	237,784
Golf	<u>42,635</u>
Total AOPEBC - Business-Type Activities	<u>280,419</u>
 Total AOPEBC	 <u><u>\$ 11,878,379</u></u>

NOTE 12 PENSION PLAN - NCRS

General Information about the Pension Plan

Plan Description. The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Natick Contributory Retirement System (NCRS or System). Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Membership in the System was as follows at December 31, 2014:

Active Members	620
Inactive Members	114
Retirees and Beneficiaries currently receiving benefits	<u>383</u>
Total	<u><u>1,117</u></u>

As indicated in Note 1, the System is reported as a pension trust fund in these financial statements. The System also issues a publicly available report in accordance with guidelines established by the Commonwealth’s Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 13 East Central Street, Natick, Massachusetts 01760.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 PENSION PLAN - NCRS (CONTINUED)

Benefits provided. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 50 years of age with 10 years of service if in group 2, and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

When a member's retirement becomes effective, their deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status and group classification.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 PENSION PLAN - NCRS (CONTINUED)

Contributions. Chapter 32 of MGL governs the contributions of plan members and the employers. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

For the year ended December 31, 2014, active member contributions totaled \$3,343,806 and employer contributions totaled \$7,453,409. Contributions to the System from the Town were \$7,344,512 for the year ended June 30, 2015.

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

The components of the net pension liability of the System at December 31, 2014, were as follows:

Total Pension Liability	\$	197,036,372
Plan Fiduciary Net Position		(116,257,346)
Net Pension Liability	\$	80,779,026
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		59.00%

At June 30, 2015, the Town reported a liability of \$79,598,815 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014 and 2013, the Town's proportion was 98.5390 percent.

For the year ended June 30, 2015, the Town recognized pension expense of \$9,060,165. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 677,513	\$ -
Changes in Assumptions	10,005,180	-
Differences between expected and actual experience	-	1,146,906
	\$ 10,682,693	\$ 1,146,906

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 PENSION PLAN - NCRS (CONTINUED)

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

<u>Year Ended June 30</u>	
2016	\$ 2,383,947
2017	2,383,947
2018	2,383,947
2019	2,383,946
Total	<u>\$ 9,535,787</u>

Actuarial assumptions. The following actuarial methods and assumptions apply to all periods included in the measurement.

Methods:

Actuarial Cost Method	Entry Age Normal Cost
Asset Valuation Method	Fair Value

Assumptions:

Salary Increases	Based on years of service. Ranges from 7.00% decreasing to 4.50% after 9 years of service for Group 1 employees, from 7.00% decreasing to 4.75% after 9 years of service for Group 2 employees; and from 8.00% decreasing to 5.00% after 9 years of service for Group 4 Employees
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation
Inflation Rate	4.50%
Cost of Living Adjustment	3.0% of first \$12,000
Mortality	Pre-Retirement - The RP-2000 Employee Mortality Table projected generationally with Scale AA from 2005 Healthy Retiree - The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale AA from 2005 Disabled Retiree - The RP-2000 Health Annuitant Mortality Table set forward 3 years for males projected generationally with Scale AA from 2005
Retirement Rates	General Employees (Group 1 and 2) - 1.0% and 1.5% for males and females, respectively, beginning at age 50 ranging to 100% for both males and females ending at age 70 Police and Fire (Group 4) - 2.0% beginning at age 50 ranging to 100.0% at age 65

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 PENSION PLAN - NCRS (CONTINUED)

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2014.

Investment Policy and Rates of Return. Deposits and investments made by the System are governed by Chapter 32 of the MGL. The System engages investment managers that adhere to MGL c. 32, sec 23(3), the “Prudent Person” rule, which permits (among other things) the investment in corporate bonds, equities, alternative and real estate investments.

The Board has the authority for establishing and amending investment policy decisions. Based on the investment objectives and constraints of the System, and based on an annual review of the asset allocation and asset classes, the Board will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the total portfolio, and will have ranges surrounding them, allowing for the portfolio to maintain policy through market fluctuations. The long-term target allocations are intended as strategic goals. Thus, it is permissible for the overall System’s asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the System. At times, the Board reevaluates the portfolio weightings by asset class and adjustments are made accordingly.

The System’s annual money-weighted rate of return on pension plan investments was 8.01%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.0%	6.40%
International Developed Markets Equity	16.0%	7.07%
International Emerging Markets Equity	5.0%	9.26%
Core Fixed Income	18.0%	1.53%
High-Yield Fixed Income	5.0%	4.25%
Real Estate	10.0%	4.30%
Commodities	3.0%	3.70%
Hedge Fund, GTAA, Risk Parity	5.0%	3.44%
Private Equity	5.0%	11.26%
Cash	0.0%	0.96%
Totals	<u>100.0%</u>	

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 PENSION PLAN - NCRS (CONTINUED)

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the System calculated using the discount rate of 7.50%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
System's Net Pension Liability	\$ 102,675,208	\$ 80,779,026	\$ 62,152,618

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Town's Proportionate Share of the Net Pension Liability	\$ 101,175,086	\$ 79,598,815	\$ 61,244,546

Legally Required Reserve Accounts. The balance in the System's legally required reserves as of December 31, 2014 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 32,850,518	Active members' contribution balance
Annuity Reserve Fund	9,438,449	Retired members' contribution account
Pension Reserve Fund	74,181,860	Amounts appropriated to fund future retirement
Pension Fund	(213,481)	Remaining Net Position
Total	\$ 116,257,346	

All reserve accounts are funded at levels required by state law.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in this financial report.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 PENSION PLAN - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

Benefits provided. MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

Contributions. The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

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

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2015. The Commonwealth's net pension liability associated with the Town was \$82,844,322.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 PENSION PLAN – MTRS (CONTINUED)

The MTRS' net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014.

For the year ended June 30, 2015, the Town recognized pension expense of \$5,755,593 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

Actuarial assumptions. The following actuarial methods and assumptions apply to all periods included in the measurement.

Investment rate of return - 8.0%

Salary increases - Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service

Mortality Rates - Pre-retirement reflects RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA (gender distinct). Post-retirement reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct). Disability reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

Other - 3.5% interest rate credited to the annuity savings fund and 3.0% cost of living increase per year.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43%	7.2%
Core Fixed Income	13%	2.5%
Hedge Funds	10%	5.5%
Private Equity	10%	8.8%
Real Estate	10%	6.3%
Value Added Fixed Income	10%	6.3%
Timber/Natural Resources	4%	5.0%
Totals	<u>100%</u>	

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 PENSION PLAN – MTRS (CONTINUED)

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

Pension plan fiduciary net position. Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

NOTE 14 CAPITAL LEASES

The Town has entered into a capital lease agreement for LED street lights, which will become the property of the Town when all terms of the lease agreement are met.

The following schedule represents the future minimum lease payments as of June 30, 2015:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2016	\$ 73,503
2017	73,502
2018	73,502
2019	73,502
2020	73,503
2021	73,503
2022	73,503
2023	<u>73,504</u>
Total Minimum Lease Payments	588,022
Less: Amounts Representing Interest	<u>(56,474)</u>
Present Value of Minimum Lease Payments	<u>\$ 531,548</u>

The LED street lights and the related accumulated amortization under capital leases are as follows:

<u>Asset:</u>	<u>Governmental Activities</u>
Infrastructure	\$ 650,000
Less: Accumulated Amortization	<u>(66,100)</u>
Total	<u>\$ 583,900</u>

Amortization of the capital lease is included with public works depreciation expense.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 FUND BALANCES

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General	High School Project Fund	Conservation Commission	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ 14,046	\$ 14,046
Restricted:					
OPEB	702,932	-	-	-	702,932
Debt Service	1,081,702	-	-	982,769	2,064,471
School Construction	-	2,403,553	-	-	2,403,553
Senior Center Construction	-	-	-	201,484	201,484
School Lunch	-	-	-	107,830	107,830
Bus Transportation	-	-	-	262,333	262,333
Infrastructure (Mitigation Funds)	-	-	-	2,604,736	2,604,736
Employee Benefits	-	-	-	20,687	20,687
Capital	-	-	-	3,161,690	3,161,690
Medicaid	-	-	-	354,354	354,354
Cable Fees	-	-	-	340,632	340,632
Circuit Breaker	-	-	-	884,057	884,057
Conservation Commission	-	-	5,300,004	-	5,300,004
Recreation Revolving	-	-	-	872,116	872,116
General Government	-	-	-	1,620,928	1,620,928
Public Safety	-	-	-	311,826	311,826
Education	-	48,440	-	2,462,064	2,510,504
Public Works	-	-	-	773,576	773,576
Health and Human Services	-	-	-	544,112	544,112
Culture and Recreation	-	-	-	128,128	128,128
Library	-	-	-	5,021	5,021
Sub-Total - Restricted	<u>1,784,634</u>	<u>2,451,993</u>	<u>5,300,004</u>	<u>15,638,344</u>	<u>25,174,975</u>
Committed:					
Capital Stabilization	4,507,083	-	-	-	4,507,083
Subsequent Year's Expenditures	2,835,597	-	-	-	2,835,597
Technology Stabilization	100,343	-	-	-	100,343
General Government	1,629,237	-	-	-	1,629,237
Public Safety	312,701	-	-	-	312,701
Education	872,154	-	-	-	872,154
Public Works	1,071,776	-	-	-	1,071,776
Culture and Recreation	47,470	-	-	-	47,470
Sub-Total - Committed	<u>11,376,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,376,704</u>
Assigned:					
General Government	480,164	-	-	-	480,164
Public Safety	80,198	-	-	-	80,198
Education	400,385	-	-	-	400,385
Public Works	347,236	-	-	-	347,236
Health and Human Services	1,407	-	-	-	1,407
Culture and Recreation	2,922	-	-	-	2,922
Other	14,435	-	-	-	14,435
Sub-Total -Assigned	<u>1,326,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,326,747</u>
Unassigned					
	<u>20,002,917</u>	<u>-</u>	<u>-</u>	<u>(182,005)</u>	<u>19,820,912</u>
Total	<u>\$ 34,491,002</u>	<u>\$ 2,451,993</u>	<u>\$ 5,300,004</u>	<u>\$ 15,470,385</u>	<u>\$ 57,713,384</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 STABILIZATION FUNDS

The Town maintains general, capital, operational, infiltration and technology stabilization funds that were established under MGL Chapter 40, Section 5B. Appropriations in and out of these stabilization funds require two-thirds vote of Town meeting. Investment income is retained by the funds.

The balances of the general, capital, operational, infiltration and technology stabilization funds at June 30, 2015 are \$4,475,931, \$4,507,083, \$2,384,405, \$1,130,271, and \$100,343, respectively. The capital and technology stabilization fund balances are reported in the general fund as committed and the general and operational stabilization funds are reported in the general fund as unassigned fund balance. The infiltration stabilization fund is reported as unrestricted net position in the water and sewer enterprise fund.

NOTE 17 RISK FINANCING

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.

The Town provides health insurance through its participation in the West Suburban Health Group (Group), a non-profit trust comprised of 11 towns, one school district and two educational collaboratives. The Town recognizes the cost of providing health insurance by recording its share (depending on the plan, contribution rates range between 50% and 90%) of insurance premiums paid to the Group in the general fund in the fiscal year paid. The purpose of the Group is to pay medical claims of its members' employees and their covered dependents. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town participates in a premium-based workers' compensation plan. In prior years, the Town was self-insured for workers' compensation and is liable for the payment of certain claims from those periods. The claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type. The estimated liability at June 30, 2015 totaled \$407,254.

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-end</u>
2014	\$ 136,184	\$ 397,871	\$ (411,639)	122,416
2015	122,416	756,478	(471,640)	407,254

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 18 OPERATING LEASES

Lessee

The Town is committed under several operating leases for a parking lot, golf course land and a modular building used as a clubhouse and administrative building at the golf course. During fiscal year 2014, the Town paid approximately \$120,000 related to these leases, which is accounted for in the general fund and golf course enterprise fund. Future minimum lease payments are as follows:

Governmental Activities

Fiscal Year	Payment
2016	\$ 54,122
2017	55,204

Business-Type Activities

Fiscal Year	Payment
2016	\$ 68,839
2017	70,904
2018	73,031
2019	75,222
2020	77,479

NOTE 19 COMMITMENTS

Significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$6,186,172 at June 30, 2015.

NOTE 20 CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2015.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2015, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 21 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 72, Fair Value Measurement and Application, which is required to be implemented during fiscal year 2016. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, which is required to be implemented during fiscal year 2016. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other than Pension Plans, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements. .

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which is required to be implemented during fiscal year 2018. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which is required to be implemented during fiscal year 2016. Management does not believe the implementation of this Statement will impact the basic financial statements.

Statement No. 77, Tax Abatement Disclosures, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 79, Certain External Investment Pools and Pool Participants, which is required to be implemented during fiscal year 2016, except for the provisions in paragraphs 18, 19, 23-26, and 40, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

This page intentionally left blank.

**TOWN OF NATICK, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2015**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 95,370,225	\$ -	\$ 95,370,225
Motor Vehicle and Other Excise Taxes	-	4,458,000	-	4,458,000
Hotel/Motel Tax	-	700,000	-	700,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	37,000	-	37,000
Trash Disposal	-	950,000	-	950,000
Intergovernmental	-	12,551,382	-	12,551,382
Special Assessments	-	13,000	-	13,000
Penalties and Interest on Taxes	-	508,000	-	508,000
Licenses and Permits	-	1,500,000	-	1,500,000
Fines and Forfeitures	-	200,000	-	200,000
Departmental and Other	-	2,564,318	-	2,564,318
Investment Income	-	190,245	-	190,245
Total Revenues	<u>-</u>	<u>119,042,170</u>	<u>-</u>	<u>119,042,170</u>
EXPENDITURES				
Current:				
General Government	3,227,396	5,937,361	1,154,627	10,319,384
Public Safety	482,331	14,962,695	(48,690)	15,396,336
Education	1,349,621	53,572,469	(242,048)	54,680,042
Public Works	1,162,427	10,060,970	722,599	11,945,996
Health and Human Services	12,502	2,176,138	(437,826)	1,750,814
Culture and Recreation	230,764	2,250	580,391	813,405
Library	470	2,239,710	(52,004)	2,188,176
Pension Benefits	-	7,121,267	-	7,121,267
Employee Benefits	14,342	15,935,074	(195,708)	15,753,708
Property and Liability Insurance	-	615,300	(15,845)	599,455
State and County Charges	-	1,539,095	-	1,539,095
Debt Service:			-	
Principal	-	8,491,268	(295,971)	8,195,297
Interest	-	2,743,691	(165,213)	2,578,478
Total Expenditures	<u>6,479,853</u>	<u>125,397,288</u>	<u>1,004,312</u>	<u>132,881,453</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,479,853)</u>	<u>(6,355,118)</u>	<u>(1,004,312)</u>	<u>(13,839,283)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	4,860,946	1,025,150	5,886,096
Premium from Issuance of Bonds and Notes	-	-	-	-
Transfers Out	-	(409,087)	(3,388,092)	(3,797,179)
Total Other Financing Sources (Uses)	<u>-</u>	<u>4,451,859</u>	<u>(2,362,942)</u>	<u>2,088,917</u>
NET CHANGE IN FUND BALANCE	<u>(6,479,853)</u>	<u>(1,903,259)</u>	<u>(3,367,254)</u>	<u>(11,750,366)</u>
Fund Balance - Beginning of Year	<u>21,013,489</u>	<u>21,013,489</u>	<u>21,013,489</u>	<u>21,013,489</u>
FUND BALANCE - END OF YEAR	<u>\$ 14,533,636</u>	<u>\$ 19,110,230</u>	<u>\$ 17,646,235</u>	<u>\$ 9,263,123</u>

See accompanying independent auditors' report

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 96,937,396	\$ -	\$ 96,937,396	\$ 1,567,171
5,194,913	-	5,194,913	736,913
1,403,267	-	1,403,267	703,267
823,985	-	823,985	823,985
34,822	-	34,822	(2,178)
906,726	-	906,726	(43,274)
13,685,106	-	13,685,106	1,133,724
3,632	-	3,632	(9,368)
524,650	-	524,650	16,650
2,858,788	-	2,858,788	1,358,788
200,248	-	200,248	248
2,708,674	-	2,708,674	144,356
255,356	-	255,356	65,111
<u>125,537,563</u>	<u>-</u>	<u>125,537,563</u>	<u>6,495,393</u>
5,640,812	3,395,835	9,036,647	1,282,737
14,629,595	392,899	15,022,494	373,842
53,382,719	912,192	54,294,911	385,131
10,989,276	1,419,012	12,408,288	(462,292)
1,639,217	1,407	1,640,624	110,190
711,181	49,922	761,103	52,302
2,161,858	470	2,162,328	25,848
7,119,320	-	7,119,320	1,947
15,209,525	14,435	15,223,960	529,748
532,389	-	532,389	67,066
1,450,370	-	1,450,370	88,725
8,195,297	-	8,195,297	-
2,578,344	-	2,578,344	134
<u>124,239,903</u>	<u>6,186,172</u>	<u>130,426,075</u>	<u>2,455,378</u>
<u>1,297,660</u>	<u>(6,186,172)</u>	<u>(4,888,512)</u>	<u>8,950,771</u>
6,305,543	-	6,305,543	419,447
97,778	-	97,778	97,778
<u>(3,797,179)</u>	<u>-</u>	<u>(3,797,179)</u>	<u>-</u>
<u>2,606,142</u>	<u>-</u>	<u>2,606,142</u>	<u>517,225</u>
3,903,802	(6,186,172)	(2,282,370)	9,467,996
<u>21,013,489</u>	<u>-</u>	<u>21,013,489</u>	<u>-</u>
<u>\$ 24,917,291</u>	<u>\$ (6,186,172)</u>	<u>\$ 18,731,119</u>	<u>\$ 9,467,996</u>

See accompanying independent auditors' report

**TOWN OF NATICK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS
NATICK CONTRIBUTORY RETIREMENT SYSTEM (1)**

	2014
<u>Total Pension Liability</u>	
Service Cost	\$ 4,356,464
Interest	14,119,172
Difference between expected and actual experience	(1,454,889)
Change in Assumptions	12,691,909
Benefit Payments, including refunds of member contributions	(9,618,947)
Net Change in Total Pension Liability	20,093,709
Total Pension Liability - Beginning	176,942,663
Total Pension Liability - Ending (a)	\$ 197,036,372
<u>Plan Fiduciary Net Position</u>	
Contributions - Employer	\$ 7,453,409
Contributions - Member	3,343,806
Other Additions	186,892
Net Investment Income	7,758,262
Benefit Payments, including refunds of member contributions and net of transfers (to)/from other systems	(9,695,103)
Administrative Expense	(261,086)
Net Change in Plan Fiduciary Net Position	8,786,180
Plan Fiduciary Net Position - Beginning	107,471,166
Plan Fiduciary Net Position - Ending (b)	\$ 116,257,346
Net Pension Liability - Ending (a) - (b)	\$ 80,779,026
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.0%
Covered - Employee Payroll	\$ 33,191,253
Net Pension Liability as a Percentage of Covered Employee Payroll	243.4%

(1) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
NATICK CONTRIBUTORY RETIREMENT SYSTEM**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially Determined Contribution	\$ 7,453,409	\$ 6,901,304	\$ 6,390,096	\$ 5,916,756	\$ 5,661,968
Contributions in Relation to the					
Actuarially Determined Contribution	<u>7,453,409</u>	<u>6,901,304</u>	<u>6,390,096</u>	<u>5,916,756</u>	<u>5,661,968</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Employee Payroll	\$ 33,191,253	\$ 32,180,970	\$ 32,180,970	\$ 27,627,175	\$ 27,627,175
Contributions as a Percentage of					
Covered Employee Payroll	22.46%	21.45%	19.86%	21.42%	20.49%

(Continued)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarially Determined Contribution	\$ 5,418,151	\$ 5,334,374	\$ 5,541,638	\$ 5,059,655	\$ 4,841,775
Contributions in Relation to the					
Actuarially Determined Contribution	<u>5,418,151</u>	<u>5,334,374</u>	<u>5,541,638</u>	<u>5,059,655</u>	<u>4,841,775</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Employee Payroll	\$ 25,775,476	\$ 25,775,476	\$ 25,775,476	\$ 24,814,583	\$ 24,814,583
Contributions as a Percentage of					
Covered Employee Payroll	21.02%	20.70%	21.50%	20.39%	19.51%

(Concluded)

**SCHEDULE OF INVESTMENT RETURNS
NATICK CONTRIBUTORY RETIREMENT SYSTEM (1)**

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	8.01%

(1) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NATICK CONTRIBUTORY RETIREMENT SYSTEM (1) (2)**

	2015
Town's proportion of the net pension liability	98.5390%
Town's proportionate share of the net pension liability	\$ 79,598,815
Town's covered-employee payroll	\$ 32,532,514
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	244.67%
Plan fiduciary net position as a percentage of the total pension liability	59.0%

(1) Amounts presented were determined as of December 31, 2014

(2) Data is being accumulated annually to present 10 years of the reported information

**SCHEDULE OF TOWN CONTRIBUTIONS
NATICK CONTRIBUTORY RETIREMENT SYSTEM**

	2015	2014	2013	2012	2011
Actuarially Required Contribution	\$ 7,344,512	\$ 6,793,586	\$ 6,290,358	\$ 5,826,520	\$ 5,575,618
Contributions in Relation to the Actuarially Required Contribution	7,344,512	6,793,586	6,290,358	5,826,520	5,575,618
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered-Employee Payroll	\$ 32,532,514	\$ 31,672,428	\$ 31,672,428	\$ 26,953,209	\$ 26,953,209
Contributions as a Percentage of Covered Employee Payroll	22.58%	21.45%	19.86%	21.62%	20.69%

(Continued)

	2010	2009	2008	2007	2006
Actuarially Required Contribution	\$ 5,335,519	\$ 5,255,414	\$ 5,460,965	\$ 4,986,056	\$ 4,800,981
Contributions in Relation to the Actuarially Required Contribution	5,335,519	5,255,414	5,460,965	4,986,056	4,800,981
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered-Employee Payroll	\$ 25,138,776	\$ 25,138,776	\$ 25,138,776	\$ 24,228,729	\$ 24,228,729
Contributions as a Percentage of Covered Employee Payroll	21.22%	20.91%	21.72%	20.58%	19.82%

(Concluded)

See accompanying independent auditors' report

**TOWN OF NATICK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

**SCHEDULE OF SPECIAL FUNDING AMOUNTS OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (1) (2)**

	<u>2015</u>
Commonwealth's 100% Share of the Net Pension Liability Associated with the Town	\$ 82,844,322
Town's Expense and Revenue Recognized for the Commonwealth's Support	\$ 5,755,593
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	61.64%

(1) Amounts presented were determined as of June 30, 2014

(2) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

OTHER POST EMPLOYMENT BENEFITS SCHEDULES

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/14	\$ -	\$ 125,121,360	\$ 125,121,360	0.00%	\$ 62,012,283	202%
07/01/12	-	120,981,624	120,981,624	0.00%	51,510,389	235%
07/01/10	-	119,187,237	119,187,237	0.00%	60,836,610	196%

The significant change to the methods and assumptions used in the actuarial valuations identified above that impacted trends in the schedules of funding progress is the increase in the trend on medical and prescription drug costs in the July 1, 2012 valuation.

**TOWN OF NATICK, MASSACHUSETTS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE A BUDGETARY – GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2015 is presented below:

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance
Budgetary Basis as Reported on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 125,537,563	\$ 130,426,075	\$ 2,606,142	\$ 18,731,119
<u>Adjustments and Reclassifications</u>				
To record 60-day receipts	(38,235)	-	-	219,333
To record tax refunds payable	(239,430)	-	-	(2,816,316)
To record MWPAT debt service subsidy	4,526	4,526	-	-
To record MTRS on-behalf payments	5,755,593	5,755,593	-	-
To record other expenditures	-	(357,053)	36,465	-
To record capital lease	-	209,000	209,000	-
To record encumbrances and continuing appropriations	-	(6,186,172)	-	6,186,172
To reclassify the stabilization fund to the general fund for GAAP purposes	20,275	-	150,000	4,475,931
To reclassify the capital stabilization fund to the general fund for GAAP purposes	33,585	-	(1,053,666)	4,507,083
To reclassify the operating stabilization fund to the general fund for GAAP purposes	41,472	-	625,000	2,384,405
To reclassify the OPEB fund to the general fund for GAAP purposes	8,662	1,785	250,000	702,932
To reclassify the technology stabilization fund to the general fund for GAAP purposes	343	-	100,000	100,343
	<u>343</u>	<u>-</u>	<u>100,000</u>	<u>100,343</u>
GAAP Basis as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 131,124,354</u>	<u>\$ 129,853,754</u>	<u>\$ 2,922,941</u>	<u>\$ 34,491,002</u>

NOTE B CHANGES IN THE NET PENSION LIABILITY

Change in Assumptions: The following changes were effective January 1, 2015:

- The net investment return assumption was decreased from 8.00% to 7.50%
- The mortality assumption for non-retired participants was changed from the RP-2000 Employee Mortality Table projected 20 years with Scale AA to the RP-2000 Employee Mortality Table projected generationally with Scale AA from 2005.
- The mortality assumption for non-disabled retired participants was changed from the RP-2000 Healthy Annuitant Mortality Table projected 15 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale AA from 2005.
- The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males projected 5 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males projected generationally with Scale AA from 2005.

**TOWN OF NATICK, MASSACHUSETTS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE B CHANGES IN THE NET PENSION LIABILITY (CONTINUED)

- The assumed retirement age for inactive vested participants was changed from age 65 for Group 1 and 2 members and age 55 for Group 4 members to age 60 and 55, respectively, for members hired before April 2, 2012. For participants hired after April 2, 2012, the assumption is age 60 for Group 1, age 55 for Group 2, and age 50 for Group 4.

NOTE C SCHEDULE OF EMPLOYER CONTRIBUTIONS

The following methods and assumptions were used to determine the most recent actuarially determined contribution rates:

Methods:

Actuarial Cost Method	Entry Age Normal Cost
Asset Valuation Method	Fair Value

Assumptions:

Salary Increases	Based on years of service. Ranges from 7.00% decreasing to 4.50% after 9 years of service for Group 1 employees, from 7.00% decreasing to 4.75% after 9 years of service for Group 2 employees; and from 8.00% decreasing to 5.00% after 9 years of service for Group 4 Employees
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation
Inflation Rate	4.50%
Cost of Living Adjustment	3.0% of first \$12,000
Mortality	Pre-Retirement - The RP-2000 Employee Mortality Table projected generationally with Scale AA from 2005 Healthy Retiree - The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale AA from 2005 Disabled Retiree - The RP-2000 Health Annuitant Mortality Table set forward 3 years for males projected generationally with Scale AA from 2005
Retirement Rates	General Employees (Group 1 and 2) - 1.0% and 1.5% for males and females, respectively, beginning at age 50 ranging to 100% for both males and females ending at age 70 Police and Fire (Group 4) - 2.0% beginning at age 50 ranging to 100.0% at age 65