

TOWN OF AUBURN, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2016

TOWN OF AUBURN, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF CONTENTS	2
INDEPENDENT AUDITOR’S REPORT	3-4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5-14
BASIC FINANCIAL STATEMENTS	15
Statement of Net Position	16
Statement of Activities	17
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances of Government Funds to the Statement of Net Position	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Government Funds to the Statement of Activities	21
Statement of Revenues and Expenditures – Budgetary Basis – (NON-GAAP) – Budget and Actual – General Fund.....	22
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis	23
Statement of Net Position – Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds.....	26
Statement of Fiduciary Net Position – Fiduciary Funds	27
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	28
Notes to the Financial Statements	29-59
REQUIRED SUPPLEMENTARY INFORMATION	60
Pension Plan Schedules	61-62
Other Post Employment Benefit Plan Schedule	63
SUPPLEMENTARY SCHEDULES	64
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds.....	65-67
Schedule of Real Estate, Personal Property and Supplemental Taxes and Deferred Property Taxes.....	68
Schedule of Motor Vehicle Excise Taxes	69
Schedule of Tax Liens	70

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Auburn, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Auburn, Massachusetts, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Auburn, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Auburn, Massachusetts, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Auburn, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2017, on our consideration of the Town of Auburn, 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 Auburn, Massachusetts' internal control over financial reporting and compliance.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

February 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Auburn, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$39,488,858 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities by \$35,375,622 an increase of \$4,113,236 (12%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$25,687,349, an increase of \$7,558,525 (42%) in comparison with prior year.
- The General Fund's total fund balance increased \$2,402,611 (19%) to \$14,905,528. The ending General fund balance is 24% of revenues, transfers in, capital lease and bond premiums and 25% of expenditures and transfers out.
- Total liabilities of the Town increased by \$3,273,975 (3%) to \$128,142,765 during the fiscal year. This net change resulted mainly from net increases in the bonds and leases payable of \$8,119,470, in the other post employment benefits (OPEB) liability of \$3,079,641 and the net pension liability of \$5,223,308 and net decreases in warrants and accounts payable of \$3,210,293, in retainage payable of \$1,222,993 and in the bond anticipation notes of \$8,938,687.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$9,385,275. The key factors that attributed to the free cash amount for fiscal year 2016 were unexpended/unencumbered appropriations of \$895,600, excess over budget state and local receipts of \$640,900, excess over budget other financing sources of \$761,000 and prior year free cash not appropriated of \$7,502,350.
- The Town's enterprise fund certified free cash is as follows:
 - Sewer fund \$1,071,746.
 - Pakachoag golf course \$ 48,140.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Auburn's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving

rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of Auburn adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two types of proprietary funds.

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 sewer and pakachoag golf course activities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health insurance. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

Notes to 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.

Financial Highlights

Statement of Net Position Highlights

	Governmental Activities		
	2016	2015	Change
Assets:			
Current assets	\$ 44,757,554	\$ 50,780,337	\$ (6,022,783)
Noncurrent assets (excluding capital assets)	6,853	10,331	(3,478)
Capital assets	108,919,997	99,376,385	9,543,612
Total assets	153,684,404	150,167,053	3,517,351
Deferred Outflows of Resources			
Deferred outflows related to pensions	2,855,829	16,847	2,838,982
Liabilities:			
Current liabilities (excluding debt and lease)	5,281,933	9,559,191	(4,277,258)
Current debt and lease	10,149,489	18,270,128	(8,120,639)
Noncurrent liabilities (excluding debt and lease)	69,389,978	61,236,738	8,153,240
Noncurrent debt and lease	39,186,118	33,116,087	6,070,031
Total liabilities	124,007,518	122,182,144	1,825,374
Deferred Inflows of Resources			
Deferred inflows related to pensions	260,164	-	260,164
Net Position:			
Net Investment in Capital Assets	59,584,390	47,990,170	11,594,220
Restricted	14,959,783	19,995,972	(5,036,189)
Unrestricted	(42,271,622)	(39,984,386)	(2,287,236)
Total net position	\$ 32,272,551	\$ 28,001,756	\$ 4,270,795

	Business-Type Activities		
	2016	2015	Change
Assets:			
Current assets	\$ 3,161,466	\$ 1,634,257	\$ 1,527,209
Noncurrent assets (excluding capital assets)	210,555	268,233	(57,678)
Capital assets	7,881,463	8,157,368	(275,905)
Total assets	11,253,484	10,059,858	1,193,626
Deferred Outflows of Resources			
Deferred outflows related to pensions	107,899	654	107,245
Liabilities:			
Current liabilities (excluding debt and leases)	77,593	37,205	40,388
Current debt	206,648	131,000	75,648
Noncurrent liabilities (excluding debt and leases)	1,674,263	1,497,441	176,822
Noncurrent debt	2,176,743	1,021,000	1,155,743
Total liabilities	4,135,247	2,686,646	1,448,601
Deferred Inflows of Resources			
Deferred inflows related to pensions	9,829	-	9,829
Net Position:			
Net investment in capital assets	5,498,072	7,005,368	(1,507,296)
Restricted	1,543,701	259,483	1,284,218
Unrestricted	174,534	109,015	65,519
Total net position	\$ 7,216,307	\$ 7,373,866	\$ (157,559)

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2016	2015	Change
Program Revenues:			
Charges for services	\$ 5,564,392	\$ 5,268,756	\$ 295,636
Operating grants and contributions	16,237,518	14,637,096	1,600,422
Capital grants and contributions	4,217,607	14,061,477	(9,843,870)
General Revenues:			
Property taxes	38,313,356	35,515,064	2,798,292
Motor vehicle excise and other taxes	2,921,709	2,744,392	177,317
Hotel room occupancy and meals taxes	1,211,994	1,100,122	111,872
Penalties and interest on taxes	247,659	200,939	46,720
Nonrestricted grants	2,509,850	2,746,250	(236,400)
Unrestricted investment income	163,304	93,158	70,146
Total revenues	71,387,389	76,367,254	(4,979,865)
Expenses:			
General government	3,400,801	3,276,007	124,794
Public safety	7,951,350	7,867,270	84,080
Public works	4,536,137	3,614,935	921,202
Education	28,769,255	30,311,914	(1,542,659)
Health and human services	844,112	810,744	33,368
Culture and recreation	1,288,615	1,240,894	47,721
Employee benefits and insurance	18,414,849	15,186,548	3,228,301
State assessments	564,581	685,013	(120,432)
Interest	1,528,668	1,156,148	372,520
Total expenses	67,298,368	64,149,473	3,148,895
Contributions to permanent funds	28,000	15,420	12,580
Transfers	153,774	253,288	(99,514)
Change in net position	4,270,795	12,486,489	(8,215,694)
Net position - beginning of year	28,001,756	15,515,267	12,486,489
Net position - end of year	\$ 32,272,551	\$ 28,001,756	\$ 4,270,795

	Business-Type Activities		
	2016	2015	Change
Program Revenues:			
Charges for services	\$ 2,615,395	\$ 2,300,009	\$ 315,386
Operating grants and contributions	95,030	1,423	93,607
Total revenues	2,710,425	2,301,432	408,993
Expenses:			
Sewer	2,577,615	2,500,971	76,644
Pakachoag Golf Course	136,595	-	136,595
Total expenses	2,714,210	2,500,971	213,239
Transfers	(153,774)	(253,288)	99,514
Change in net position	(157,559)	(452,827)	295,268
Net position - beginning of year	7,373,866	7,826,693	(452,827)
Net position - end of year	\$ 7,216,307	\$ 7,373,866	\$ (157,559)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$39,488,858 at the close of fiscal year 2016.

Net position of \$65,082,462 represents its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets 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 its 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 net position \$16,503,484, represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$42,097,088).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

The Town is able to report positive balances in all three categories of net position for the business-type activities.

The governmental activities net position increased by \$4,270,795 (15%) during the current fiscal year, which reflects the general fund's results of operations. The significant reasons for the increase in net position are attributed to an increase in the acquisition of \$13,732,533 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$4,188,921 and the change in the deferred outflow/(inflow) of resources related to pensions of \$2,578,818 and decreases in recognizing this year's OPEB obligation of \$3,064,818 and net pension liability of \$5,061,309.

There was a decrease of \$157,559 (2%) in net position reported in the sewer and pakachoag golf course business-type activities. Of this, there was a decrease of \$308,254 attributed to the sewer fund and an increase of \$150,695 attributed to the pakachoag golf course fund.

There was an increase of \$556,186 (8%) in net position reported in the internal service fund. This was attributed to operating revenues exceeding operating expenditures by \$544,027 and interest earned of \$12,159.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$25,687,349 an increase of \$7,558,525 (42%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$945,869 (4%).
- Restricted fund balance – \$11,348,907 (44%).
- Committed fund balance – \$1,961,227 (8%).
- Assigned fund balance – \$1,281,063 (5%).
- Unassigned fund balance – \$10,150,283 (39%).

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$14,905,528 increasing \$2,402,611 (19%) from the prior year. Of the \$14,905,528, the unassigned amount is \$12,797,457 (86%), the assigned amount is \$1,281,063 (9%) and the restricted amount is \$827,008 (5%). General fund revenues were \$4,764,188 (9%) more than the prior fiscal year while expenditures also increased by \$3,988,400 (7%). Other activities in the General Fund were net transfers in from other funds of \$1,209,843, capital lease financing of \$332,786 and bond premiums of \$776,718.

The main components of the increases in general fund revenues as compared to the prior year related to increases in property taxes in the amount of \$2,881,830 (8%), in excise and other taxes of \$307,299 (8%) and intergovernmental "on-behalf" payments of \$1,323,655 (50%).

The major changes with the general fund expenditures from the prior fiscal year were as follows:

- Decrease in Public safety expenditures of \$860,098 (11%).
- Increase in Education expenditures of \$1,036,394 (4%).
- Increase in Employee benefits and insurance expenditures of \$1,719,302 (15%).
- Increase in net debt (principal and interest) expenditures of \$1,627,828 (43%).

The *Middle School Construction Fund* is used to account for the construction of a new middle school. The fund has a deficit balance of \$2,538,019 at the end of the fiscal year and shows an increase of \$1,694,689 (40%). This increase is attributed to the receipt of Massachusetts School Building Authority funds of \$2,432,553, expenditures of \$5,737,864 and the proceeds from the issuance of bonds of \$5,000,000. The Town also issued a bond anticipation note of \$5,142,235 which is not reflected in the Fund Balance.

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund has accumulated a balance of \$7,065,612 and shows a decrease of \$308,254 (4%) in total operations. This is attributed to operating costs exceeding current operating revenues by \$84,367, interest income of \$2,389, special assessments revenue of \$14,089, other income of \$92,601, interest expense of \$61,042 and transfers to the general fund of \$271,924. Operating revenues increased by \$146,758 (6%) and operating expenses also increased by \$47,523 (2%) from the prior year.

The *Pakachoag Golf Course Fund* accounts for the financing and operations of the Town's golf course. The fund's net position recognized an increase of \$150,695 (100%) in its first year of operation. This increase is attributed to current operational revenues exceeding the current operational costs by \$32,505, interest income of \$40 and net transfers in from general fund of \$118,150.

Internal Service Fund

The activity of the internal service fund represents the health insurance fund. The fund has accumulated a fund balance of \$7,209,304. The fund increased by \$556,186 (8%) in total operations. This is the result of contributions from the employees and employer for \$6,868,509 and other revenue of \$432,769, expenses of \$6,757,251 and interest earned of \$12,159. Operating revenues increased by \$293,597 (4%) and operating expenses also increased by \$201,450 (3%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2016 was \$56,769,640. This was an increase of \$2,662,374 (5%) over the previous year's budget.

There was an increase between the original budget and the total final amended budget. The change is attributed to funds voted from available funds at the special town meeting in October 2015 for various budget operating line items.

General fund expenditures were less than budgeted by \$2,076,665. Of the \$2,076,665 in under budget expenditures, \$1,181,063 has been carried over to fiscal year 2017.

There are negative variances in the Town's property taxes of \$21,220 as the expectation (budget) was higher than the receipts and in interest income of \$187,471 as a result of the economic times. The overall the total revenues exceeded budget expectations.

The variance with the final budget was a positive \$1,515,321 consisting of a revenue surplus of \$619,719 and an appropriation surplus of \$895,602.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$108,919,997 and \$7,881,463, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Town building energy improvements for \$157,095.
- Police vehicle purchases for \$107,945.
- Highway vehicle purchases and equipment for \$546,119.
- Road and street improvements for \$2,317,984.
- Various school renovations for \$3,653,410.
- Middle school construction for \$6,910,745.

- Playground improvements and equipment for \$39,235.

The major capital event during the current fiscal year in the business-type fund included the following:

- Sewer vehicle purchase for \$48,965.
- Sewer infrastructure improvements for \$56,734.
- Golf course equipment for \$178,792.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2016, totaled \$43,298,099, of which \$26,780,000 is for school projects, \$770,000 is for land acquisitions, \$35,000 for Dam repairs and improvements, \$15,568,099 is for various remodeling projects and \$145,000 for department equipment.

The business-type fund has \$2,321,000 in long term sewer debt.

The Town also has capital leases in the governmental type fund for the financing of the fire department vehicles and highway vehicles. The last lease is due in 2022. The Town currently owes \$969,216 on the leases consisting of \$895,273 in principal and \$73,943 in interest.

The Town has a capital lease in the business-type fund for financing of the golf course carts. The lease is due in 2021. The Town currently owes \$67,824 on the lease consisting of \$62,391 in principal and \$5,433 in interest.

The Town has bond anticipation notes outstanding in the amount of \$5,142,235 as of June 30, 2016 for the middle school project.

Please refer to notes 3D, 3F, 3G and 3H for further discussion of the major capital and debt activity.

Next Year's Annual Town Meeting

The Town of Auburn operates under the "Representative Meeting" concept where each registered voter elects a representative to vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2016 do not reflect the fiscal year 2017 Town Meeting action with the exception of the fund balance (overlay surplus) amount used to fund the 2017 budget.

The Annual Town Meeting on May 3, 2016 authorized a fiscal year 2017 operating and capital budget as follows:

From raise and appropriate		\$ 55,926,738
From sewer user fees	\$ 1,929,966	
From sewer retained earnings	<u>135,000</u>	2,064,966
From golf course fees		299,000
From other available funds:		
General Fund:		
Unreserved fund balance:		
Overlay surplus		100,000
Reserve for debt		87,314
Non-major Governmental Funds:		
Ambulance	1,090,000	
Capital improvement trust fund	25,000	
Casella waste	50,000	
Cemetery perpetural care fund	5,900	
Dog licenses fees	20,000	
Health and recreation trust fund	7,980	
Overflow Trash Bags	12,000	
Pakachoag golf lease	14,207	
Pension reserve fund	25,000	
Police towing	17,500	
Sale of cemetery lots	30,000	
Wetlands protection fees	<u>3,000</u>	1,300,587
		<u>\$ 59,778,605</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Auburn's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 104 Central Street, Auburn, Massachusetts.

BASIC FINANCIAL STATEMENTS

**TOWN OF AUBURN, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 31,620,922	\$ 2,893,415	\$ 34,514,337
Investments	7,948,023	-	7,948,023
Receivables, net of allowance for uncollectibles:			
Property Taxes	674,480	-	674,480
Deferred Property Taxes	29,120	-	29,120
Tax Liens	803,298	-	803,298
Excise Taxes	167,905	-	167,905
User Charges	-	246,813	246,813
Departmental	657,811	-	657,811
Special Assessments	3,478	21,238	24,716
Due from Other Governments	2,850,495	-	2,850,495
Other	2,022	-	2,022
Total current assets	<u>44,757,554</u>	<u>3,161,466</u>	<u>47,919,020</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	6,853	210,555	217,408
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	10,010,730	503,030	10,513,760
Depreciable	<u>98,909,267</u>	<u>7,378,433</u>	<u>106,287,700</u>
Total noncurrent assets	<u>108,926,850</u>	<u>8,092,018</u>	<u>117,018,868</u>
Total Assets	<u>153,684,404</u>	<u>11,253,484</u>	<u>164,937,888</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	2,855,829	107,899	2,963,728
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	1,434,051	43,662	1,477,713
Retainage Payable	185,910	-	185,910
Accrued Payroll	2,208,375	8,357	2,216,732
Payroll Withholdings	251,581	-	251,581
Accrued Interest	484,402	21,992	506,394
Accrued Claims	412,850	-	412,850
Other	49,831	-	49,831
Compensated Absences	254,933	3,582	258,515
Bond Anticipation Notes Payable	5,142,235	-	5,142,235
Bonds and Leases Payable	<u>5,007,254</u>	<u>206,648</u>	<u>5,213,902</u>
Total current liabilities	<u>15,431,422</u>	<u>284,241</u>	<u>15,715,663</u>
NONCURRENT:			
Compensated Absences	764,801	-	764,801
OPEB Obligation Payable	35,553,698	424,761	35,978,459
Net Pension Liability	33,071,479	1,249,502	34,320,981
Bonds and Leases Payable	<u>39,186,118</u>	<u>2,176,743</u>	<u>41,362,861</u>
Total noncurrent liabilities	<u>108,576,096</u>	<u>3,851,006</u>	<u>112,427,102</u>
Total Liabilities	<u>124,007,518</u>	<u>4,135,247</u>	<u>128,142,765</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	260,164	9,829	269,993
NET POSITION			
Net Investment in Capital Assets	59,584,390	5,498,072	65,082,462
Restricted for:			
Capital Projects	4,958,727	1,543,701	6,502,428
Federal & State Grants	759,906	-	759,906
Debt Service	856,657	-	856,657
Permanent Funds:			
Expendable	656,378	-	656,378
Nonexpendable	945,869	-	945,869
Other Purposes	6,782,246	-	6,782,246
Unrestricted	<u>(42,271,622)</u>	<u>174,534</u>	<u>(42,097,088)</u>
Total Net Position	<u>\$ 32,272,551</u>	<u>\$ 7,216,307</u>	<u>\$ 39,488,858</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF AUBURN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 3,400,801	\$ 386,524	\$ 521,637	\$ -	\$ (2,492,640)	\$ -	\$ (2,492,640)
Public Safety	7,951,350	2,329,332	189,509	-	(5,432,509)	-	(5,432,509)
Public Works	4,536,137	1,151,530	15,686	610,598	(2,758,323)	-	(2,758,323)
Education	28,769,255	1,309,882	10,837,792	3,607,009	(13,014,572)	-	(13,014,572)
Health and Human Services	844,112	220,579	119,317	-	(504,216)	-	(504,216)
Culture and Recreation	1,288,615	166,545	60,582	-	(1,061,488)	-	(1,061,488)
Employee Benefits and Insurance	18,414,849	-	4,492,995	-	(13,921,854)	-	(13,921,854)
State Assessments	564,581	-	-	-	(564,581)	-	(564,581)
Interest	1,528,668	-	-	-	(1,528,668)	-	(1,528,668)
Total Governmental Activities	67,298,368	5,564,392	16,237,518	4,217,607	(41,278,851)	-	(41,278,851)
Business-Type Activities:							
Sewer	2,577,615	2,446,295	94,990	-	-	(36,330)	(36,330)
Pakachoag Golf Course	136,595	169,100	40	-	-	32,545	-
Total Primary Government	\$ 70,012,578	\$ 8,179,787	\$ 16,332,548	\$ 4,217,607	(41,278,851)	(3,785)	(41,282,636)
General Revenues:							
Property Taxes					38,313,356	-	38,313,356
Motor vehicle excise and other taxes					2,921,709	-	2,921,709
Hotel room occupancy and meals taxes					1,211,994	-	1,211,994
Penalties & Interest on taxes					247,659	-	247,659
Grants & Contributions not restricted to specific programs					2,509,850	-	2,509,850
Unrestricted Investment Income					163,304	-	163,304
Contributions to Permanent Funds					28,000	-	28,000
Transfers, net					153,774	(153,774)	-
Total General Revenues, Contributions and Transfers					45,549,646	(153,774)	45,395,872
Change in Net Position					4,270,795	(157,559)	4,113,236
Net Position:							
Beginning of year					28,001,756	7,373,866	35,375,622
End of year					\$ 32,272,551	\$ 7,216,307	\$ 39,488,858

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF AUBURN, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Middle School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 15,085,720	\$ 2,316,599	\$ 6,438,504	\$ 23,840,823
Investments	2,696,168	-	5,251,855	7,948,023
Receivables, net of allowance for uncollectibles:				
Property Taxes	674,480	-	-	674,480
Deferred Taxes	29,120	-	-	29,120
Tax Liens	803,298	-	-	803,298
Excise Taxes	167,905	-	-	167,905
Departmental	181,661	-	402,176	583,837
Special Assessments	10,331	-	-	10,331
Due from Other Governments	91,858	799,280	1,959,357	2,850,495
Other	2,022	-	-	2,022
Total Assets	\$ 19,742,563	\$ 3,115,879	\$ 14,051,892	\$ 36,910,334
Liabilities:				
Warrants and Accounts Payable	\$ 742,786	\$ 325,753	\$ 329,599	\$ 1,398,138
Retainage Payable	-	185,910	-	185,910
Accrued Payroll	2,195,105	-	13,270	2,208,375
Employee Withholdings	55,575	-	-	55,575
Other	49,831	-	-	49,831
Bond Anticipation Notes Payable	-	5,142,235	-	5,142,235
Total Liabilities	3,043,297	5,653,898	342,869	9,040,064
Deferred Inflows of Resources:				
Unavailable Revenue	1,793,738	-	389,183	2,182,921
Fund Balances:				
Nonspendable	-	-	945,869	945,869
Restricted	827,008	-	10,521,899	11,348,907
Committed	-	-	1,961,227	1,961,227
Assigned	1,281,063	-	-	1,281,063
Unassigned	12,797,457	(2,538,019)	(109,155)	10,150,283
Total Fund Balance	14,905,528	(2,538,019)	13,319,840	25,687,349
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 19,742,563	\$ 3,115,879	\$ 14,051,892	\$ 36,910,334

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF AUBURN, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Middle School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 38,175,827	\$ -	\$ -	\$ 38,175,827
Intergovernmental	10,335,170	2,432,553	5,253,136	18,020,859
Excise and Other Taxes	4,147,198	-	-	4,147,198
Charges for Services	1,122,125	-	3,575,798	4,697,923
Licenses, Permits, Fees	917,692	-	-	917,692
Interest on Taxes	247,659	-	-	247,659
Investment Income	163,304	-	243,786	407,090
Intergovernmental - "On-behalf" Payments	3,978,802	-	-	3,978,802
Gifts and Donations	-	-	74,891	74,891
Other	-	-	358,346	358,346
Total Revenues	59,087,777	2,432,553	9,505,957	71,026,287
Expenditures:				
Current:				
General Government	2,933,824	-	532,285	3,466,109
Public Safety	7,009,426	-	758,035	7,767,461
Public Works	3,863,977	-	2,620,116	6,484,093
Education	24,783,989	5,737,864	6,400,842	36,922,695
Health and Human Services	654,380	-	106,942	761,322
Culture and Recreation	829,721	-	314,893	1,144,614
Employee Benefits and Insurance	12,978,798	-	-	12,978,798
State Assessments	564,581	-	-	564,581
Debt Service:				
Principal	3,940,645	-	-	3,940,645
Interest	1,445,222	-	-	1,445,222
Total Expenditures	59,004,563	5,737,864	10,733,113	75,475,540
Excess of Revenues Over (Under) Expenditures	83,214	(3,305,311)	(1,227,156)	(4,449,253)
Other Financing Sources (Uses):				
Operating Transfers In	1,343,761	-	15,718	1,359,479
Operating Transfers Out	(133,868)	-	(1,071,837)	(1,205,705)
Capital Lease	332,786	-	-	332,786
Premium on Issuance of Bonds	776,718	-	-	776,718
Proceeds from Issuance of Bonds	-	5,000,000	5,744,500	10,744,500
Total Other Financing Sources (Uses)	2,319,397	5,000,000	4,688,381	12,007,778
Net Change in Fund Balances	2,402,611	1,694,689	3,461,225	7,558,525
Fund Balances, Beginning of Year	12,502,917	(4,232,708)	9,858,615	18,128,824
Fund Balances, End of Year	\$ 14,905,528	\$ (2,538,019)	\$ 13,319,840	\$ 25,687,349

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF AUBURN, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2016

Total Governmental Fund Balances		\$ 25,687,349
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		108,919,997
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		2,182,921
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.		2,595,665
Long term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds and lease payable	\$ (44,193,372)	
OPEB obligation payable	(35,553,698)	
Net Pension Liability	(33,071,479)	
Compensated absences	<u>(1,019,734)</u>	(113,838,283)
Internal Service funds are used by management to account for health insurance activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		7,209,304
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due.		<u>(484,402)</u>
Net Position of Governmental Activities		<u><u>\$ 32,272,551</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF AUBURN, MASSACHUSETTS
Reconciliation of the Statement of the Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 7,558,525

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 are reported as depreciation expense:

Capital outlay purchases	\$ 13,732,533	
Depreciation	(4,188,921)	9,543,612

Revenue in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. (832,544)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayment of debt and lease principal	4,189,207	
Proceeds from bonds	(10,744,500)	
Proceeds from capital lease	(332,786)	(6,888,079)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net change in compensated absences	(36,150)	
Net change in OPEB liability obligation	(3,064,818)	
Net change in net pension liability	(5,061,309)	
Net change in deferred outflow/(inflow) of resources related to pensions	2,578,818	
Net change in accrued interest on long-term debt	(83,446)	(5,666,905)

Internal Service funds are used by management to account for health insurance activities:

The net activity of internal service funds is reported with governmental activities	556,186

Change in Net Position of Governmental Activities **\$ 4,270,795**

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF AUBURN, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts			Actual Budgetary Basis	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget			
Revenues:						
Property Taxes	\$ -	\$ 37,622,438	\$ 38,063,047	\$ 38,041,827	\$ -	\$ (21,220)
Intergovernmental	-	10,179,065	10,179,065	10,335,170	-	156,105
Excise and Other Taxes	-	3,632,826	3,632,826	4,147,198	-	514,372
Charges for Services	-	1,082,000	1,082,000	1,122,125	-	40,125
Licenses, Permits, Fees	-	847,543	847,543	917,692	-	70,149
Interest on Taxes	-	200,000	200,000	247,659	-	47,659
Investment Income	-	241,517	241,517	54,046	-	(187,471)
Total Revenues	-	53,805,389	54,245,998	54,865,717	-	619,719
Expenditures:						
Current:						
General Government	82,509	3,064,543	3,225,761	2,933,824	147,472	144,465
Public Safety	33,554	7,258,011	7,262,785	7,009,426	71,299	182,060
Public Works	214,729	3,496,293	3,771,611	3,531,191	188,876	51,544
Education	845,035	24,667,108	25,506,465	24,783,989	722,476	-
Health and Human Services	21,005	681,436	713,624	654,380	18,271	40,973
Culture and Recreation	6,466	865,413	885,193	829,721	-	55,472
Employee Benefits and Insurance	25,359	9,340,230	9,365,589	8,999,996	32,669	332,924
State Assessments	-	646,099	646,099	564,581	-	81,518
Debt Service:						
Principal	-	3,940,645	3,940,645	3,940,645	-	-
Interest	-	1,371,546	1,451,868	1,445,222	-	6,646
Total Expenditures	1,228,657	55,331,324	56,769,640	54,692,975	1,181,063	895,602
Excess of Revenues Over (Under) Expenditures	(1,228,657)	(1,525,935)	(2,523,642)	172,742	(1,181,063)	1,515,321
Other Financing Sources (Uses):						
Operating Transfers In	-	1,331,561	1,343,761	1,343,761	-	-
Operating Transfers Out	-	-	(243,150)	(258,868)	-	(15,718)
Premium on Issuance of Bonds	-	-	-	776,718	-	776,718
Total Other Financing Sources (Uses)	-	1,331,561	1,100,611	1,861,611	-	761,000
Net Change in Budgetary Fund Balance	(1,228,657)	(194,374)	(1,423,031)	\$ 2,034,353	\$ (1,181,063)	\$ 2,276,321
Other Budgetary Items:						
Free Cash and Other Reserves	-	213,803	213,803			
Prior Year Deficits	-	(19,429)	(19,429)			
Prior Year Encumbrances	1,228,657	-	1,228,657			
Total Other Budgetary Items	1,228,657	194,374	1,423,031			
NET BUDGET	\$ -	\$ -	\$ -			

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF AUBURN, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2016

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 54,865,717	\$ 54,692,975
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	109,258	-
Net Increase in Revenue from recording Refund Taxes Payable	118,000	-
Net Increase in Revenue from Recording 60-Day Receipts	16,000	-
Recognition of Intergovernmental Revenue - "on behalf payments"	3,978,802	-
Recognition of Expenditures - "on behalf payments"	-	3,978,802
Capital Lease	-	332,786
Reported on a GAAP Basis	\$ 59,087,777	\$ 59,004,563

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF AUBURN, MASSACHUSETTS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Pakachoag Golf Course Fund	Total	
ASSETS				
CURRENT:				
Cash and Cash Equivalents	\$ 2,839,001	\$ 54,414	\$ 2,893,415	\$ 7,780,099
User Charges, net of allowance for uncollectibles	246,813		246,813	-
Departmental	-	-	-	73,974
Special Assessments	21,238	-	21,238	-
Total current assets	<u>3,107,052</u>	<u>54,414</u>	<u>3,161,466</u>	<u>7,854,073</u>
NONCURRENT:				
Special Assessments	210,555	-	210,555	-
Capital Assets, net of accumulated depreciation:				
Nondepreciable	503,030	-	503,030	-
Depreciable	7,213,487	164,946	7,378,433	-
Total noncurrent assets	<u>7,927,072</u>	<u>164,946</u>	<u>8,092,018</u>	<u>-</u>
Total Assets	<u>11,034,124</u>	<u>219,360</u>	<u>11,253,484</u>	<u>7,854,073</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	107,899	-	107,899	-
LIABILITIES				
CURRENT:				
Accounts Payable	40,316	3,346	43,662	35,913
Accrued Payroll	5,429	2,928	8,357	-
Payroll Withholdings	-	-	-	196,006
Accrued Interest	21,992	-	21,992	-
Accrued Claims	-	-	-	412,850
Compensated Absences	3,582	-	3,582	-
Bonds and Leases Payable	195,000	11,648	206,648	-
Total current liabilities	<u>266,319</u>	<u>17,922</u>	<u>284,241</u>	<u>644,769</u>
NONCURRENT:				
OPEB Obligation Payable	424,761	-	424,761	-
Net Pension Liability	1,249,502	-	1,249,502	-
Bonds and Leases Payable	2,126,000	50,743	2,176,743	-
Total noncurrent liabilities	<u>3,800,263</u>	<u>50,743</u>	<u>3,851,006</u>	<u>-</u>
Total Liabilities	<u>4,066,582</u>	<u>68,665</u>	<u>4,135,247</u>	<u>644,769</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	9,829	-	9,829	-
NET POSITION				
Net Investment in Capital Assets	5,395,517	102,555	5,498,072	-
Restricted for Capital Projects	1,543,701	-	1,543,701	-
Unrestricted	126,394	48,140	174,534	7,209,304
Total Net Position	<u>\$ 7,065,612</u>	<u>\$ 150,695</u>	<u>\$ 7,216,307</u>	<u>\$ 7,209,304</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF AUBURN, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Pakachoag Golf Course Fund	Total	
Operating Revenues:				
Employer Contributions	\$ -	\$ -	\$ -	\$ 5,322,225
Employee/Retirees Contributions	-	-	-	1,546,284
Charges for Services	2,409,655	169,100	2,578,755	-
Other	22,551	-	22,551	432,769
Total Operating Revenues	2,432,206	169,100	2,601,306	7,301,278
Operating Expenses:				
Salaries & Wages	368,328	45,852	414,180	-
Operating Expenses	1,601,695	76,897	1,678,592	353,256
Depreciation	546,550	13,846	560,396	-
Employee Benefits and Insurance	-	-	-	6,403,995
	2,516,573	136,595	2,653,168	6,757,251
Operating Income (Loss)	(84,367)	32,505	(51,862)	544,027
Non-Operating Revenues (Expenses):				
Investment Income	2,389	40	2,429	12,159
Special Assessments	14,089	-	14,089	-
Other	92,601	-	92,601	-
Interest Expense	(61,042)	-	(61,042)	-
Total Non-Operating Revenues (Expenses)	48,037	40	48,077	12,159
Income (Loss) Before Operating Transfers	(36,330)	32,545	(3,785)	556,186
Operating Transfers:				
Transfers In/(Out)	(271,924)	118,150	(153,774)	-
Total Operating Transfers	(271,924)	118,150	(153,774)	-
Change in Net Position	(308,254)	150,695	(157,559)	556,186
Net Position at Beginning of Year	7,373,866	-	7,373,866	6,653,118
Net Position at End of Year	\$ 7,065,612	\$ 150,695	\$ 7,216,307	\$ 7,209,304

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF AUBURN, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Enterprise Funds			Governmental Activities - Internal Service Fund
	Business-Type Activities			
	Sewer Fund	Pakachoag Golf Course Fund	Total	
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 2,392,165	\$ 169,100	\$ 2,561,265	\$ -
Receipts from Other Revenues	22,551	-	22,551	530,750
Receipts from Interfund Services Provided	-	-	-	6,915,041
Payments to Vendors and Employees	(1,870,779)	(116,475)	(1,987,254)	-
Payments for Interfund Services Used	-	-	-	(6,876,077)
Net Cash Provided by (Used for) Operating Activities	543,937	52,625	596,562	569,714
Cash Flows from Noncapital Financing Activities:				
Transfers from (to) Other Funds	(271,924)	118,150	(153,774)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(271,924)	118,150	(153,774)	-
Cash Flows from Capital and Related Financing Activities:				
Special Assessments	81,499	-	81,499	-
Other	92,601	-	92,601	-
Acquisition and Construction of Capital Assets	(105,699)	(178,792)	(284,491)	-
Proceeds from Capital Lease	-	82,622	82,622	-
Proceeds from Bonds	1,300,000	-	1,300,000	-
Principal Payments on Bonds and Leases	(131,000)	(20,231)	(151,231)	-
Interest Expense	(46,766)	-	(46,766)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	1,190,635	(116,401)	1,074,234	-
Cash Flows from Investing Activities:				
Investment Income	2,389	40	2,429	12,159
Net Cash Provided by (Used for) Investing Activities	2,389	40	2,429	12,159
Net Increase (Decrease) in Cash and Cash Equivalents	1,465,037	54,414	1,519,451	581,873
Cash and Cash Equivalents at Beginning of Year	1,373,964	-	1,373,964	7,198,226
Cash and Cash Equivalents at End of Year	\$ 2,839,001	\$ 54,414	\$ 2,893,415	\$ 7,780,099
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:				
Operating Income (Loss)	\$ (84,367)	\$ 32,505	\$ (51,862)	\$ 544,027
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	546,550	13,846	560,396	-
Deferred (Outflows)/Inflows of Resources Related to Pensions	(97,416)	-	(97,416)	-
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable/Accounts Payable	18,770	3,346	22,116	(154,219)
Increase (Decrease) in Accrued Payroll	2,428	2,928	5,356	-
Increase (Decrease) in Payroll Withholdings	-	-	-	46,532
Increase (Decrease) in Accrued Claims	-	-	-	35,393
Increase (Decrease) in OPEB Liability	14,823	-	14,823	-
Increase (Decrease) in Net Pension Liability	161,999	-	161,999	-
Increase (Decrease) in Compensated Absences	(1,360)	-	(1,360)	-
Decrease (Increase) in User Charges Receivable	(17,490)	-	(17,490)	-
Decrease (Increase) in Departmental	-	-	-	97,981
Total Adjustments	628,304	20,120	648,424	25,687
Net Cash Provided by (Used for) Operating Activities	\$ 543,937	\$ 52,625	\$ 596,562	\$ 569,714

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF AUBURN, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 500	\$ 277,813
Investments	2,211,695	105,332	-
Total Assets	2,211,695	105,832	277,813
LIABILITIES			
Escrows and Deposits	-	-	138,646
Due to Students	-	-	139,167
Total Liabilities	-	-	277,813
NET POSITION			
Held in Trust for Other Purposes	\$ 2,211,695	\$ 105,832	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF AUBURN, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 500,000	\$ -
Private Donations	-	14,300
Total Contributions	500,000	14,300
Investment Income	72,538	4,837
Total Additions	572,538	19,137
Deductions:		
Educational Scholarships	-	9,450
Total Deductions	-	9,450
Change in Net Position	572,538	9,687
Net Position at Beginning of Year	1,639,157	96,145
Net Position at End of Year	\$ 2,211,695	\$ 105,832

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Auburn, Massachusetts (the Town) 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 recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1778 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. 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 significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2016, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the Auburn Housing Authority, Auburn Water District, Elm Hill Water District, Woodland Water District, Southern Worcester County Regional Vocational School District, and the Upper Blackstone Water Pollution Abatement District. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board members. Audited financial statements are available from the respective organizations. Descriptions of the related organizations follow:

Auburn Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Auburn Water District, Elm Hill Water District and Woodland Water District – Water districts which provide water services to the residents of the Town. The districts are autonomous and self-sufficient units under the General Laws of the Commonwealth of Massachusetts. The Town has no significant influence over management, budget or policies of the districts.

Southern Worcester County Regional Vocational School District - A regional school district made up of ten communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects two district committee members for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

Upper Blackstone Water Pollution Abatement District - A district made up of the Town of Auburn and the City of Worcester that provides treatment for sewerage. The district is responsible for the operating costs related to the district and operates independently from the Town.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

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

Fund financial statements

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

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and change in net position.

Major Fund Criteria

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

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

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Proprietary and fiduciary funds are reported by fund type.

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

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Fund financial statements

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

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 Town reports the following major governmental funds:

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

The *middle school construction fund* is used to account for financial resources to construct a new middle school.

The Town reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The *Pakachoag Golf Course fund* is used to account for golf course activities.

The *internal service fund* is used to account for the activity in the health insurance fund.

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

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

Additionally, the Town reports the following fund types:

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

The *Other Post Employment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

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

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

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

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. 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. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

E. Investments

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

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

All investments are carried at fair value.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Deferred Property Taxes, Tax Liens, and Taxes in Litigation

Property taxes are based on assessments as of January 1, 2015 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2016 on June 30, 2015 and September 30, 2015, that were due on August 3, 2015 and November 3, 2015 and actual bills on December 31, 2015 and March 30, 2016 that were due on February 2, 2016 and May 2, 2016.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2016 is as follows;

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2016	\$ 39,586,671
Add: Debt Exclusion	2,468,365
	<u>\$ 42,055,036</u>

The total amount raised by taxation was \$38,474,655.

The allowance for uncollectible accounts is based on historical trends and specific account analysis.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Excise Taxes

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

The allowance for uncollectibles is based on historical trends and specific account analysis.

User Charges

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

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Departmental

Departmental receivables consist primarily of trash fees, ambulance fees, stop-loss claims and police off-duty details.

The allowance for uncollectibles relates to trash fees, ambulance fees and police off duty are based upon historical trends. The other departmental receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Special Assessments

Special assessments consist of the sewer betterments in the general fund and in the business-type funds.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Due from Other Governments

Various federal and state grants for operating and capital purposes 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.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity 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 estimated fair market value.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

All purchase and construction costs in excess of \$10,000 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 fixed assets are as follows:

Capital Asset Type	Years
Buildings and renovations	20-40
Machinery, equipment and other	3-10
Infrastructure	20-50

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. Improvements are capitalized.

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within 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".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Outflows/Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the only item in this category is *deferred outflows related to pensions*.

In addition to liabilities, the *Statement of Net 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 and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is *deferred inflows related to pensions*.

Fund financial statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and other taxes; departmental receipts, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

J. Net Position and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been “restricted for” the following:

“Capital projects” represents amounts restricted for capital purposes.

“Federal and state grants” represents amounts restricted by the federal and state government for various programs.

“Debt service” represents funds that are reserved for future years’ debt service.

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

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

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

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's “intent” to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

M. Pension Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Worcester Regional Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

N. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's share of insurance premiums for retirees, spouses and surviving spouses in the general fund in the fiscal year paid.

O. Use of Estimates

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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Estimates are submitted by departments to the Chief Financial Officer and Town Manager on or before the second Monday in January.
- The Chief Financial Officer prepares and administers the Town budget.
- Budgets are given to the finance committee for review by the first week in March.
- Finance committee reviews budget requests, prepares a budget report and recommendations which is distributed to Town meeting members prior to the annual Town meeting.
- The budget is legally enacted by vote of Town meeting members at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.
- The Town Manager can also present an alternative budget at the Town Meeting if there is not a finance committee consensus.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2016, the Town incurred a final budget deficit of \$1,423,031 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Reserved for deficits	\$ (19,429)
Reserve for debt	213,803
Prior year's encumbrances	1,228,657
	\$ 1,423,031

B. Deficit Fund Balances

The following funds have deficits at June 30, 2016 as measured by the balance of unreserved fund balance.

- The *Middle School Construction Fund*, a Major fund and Massachusetts School Building Administration (MSBA) project, has a deficit of \$2,538,019. The Town has an outstanding

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

bond anticipation note for \$5,142,235. The deficit will be eliminated upon the future receipt of grant funds or upon the issuance of permanent debt.

- The Highway grant special revenue fund (mainly the State Chapter 90 grant) has a deficit of \$30,610. This deficit will be eliminated upon the appropriation of funds.
- The Federal Blackstone partner grant special revenue fund has a deficit of \$13,273. This deficit will be eliminated upon the receipt of additional funds or upon appropriation.
- The Massachusetts Emergency Management Agency/Department of Culture and Recreation pak drainage special revenue fund has a deficit of \$65,272. This deficit will be eliminated upon the receipt of additional funds or upon appropriation.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2016 were \$35,137,557. Of these, none are exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

As of June 30, 2016, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. treasury obligations	\$ 1,111,917	-	1,111,917
U. S. government agencies	1,875,471	-	1,875,471
Corporate bonds	1,240,719	398,942	841,777
Money market mutual fund	157,608	157,608	-
	<u>4,385,715</u>	<u>\$ 556,550</u>	<u>\$ 3,829,165</u>
Other Investments:			
Equity mutual funds	2,601,515		
Equity securities - domestic (stocks)	1,289,788		
Certificate of deposits	1,636,724		
MMDT	351,308		
	<u>\$ 10,265,050</u>		

Custodial Credit Risks

For an investment, custodial risk 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. Of the Town's \$10,265,050 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's exposure to credit risk as of June 30, 2016 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
U. S. Treasury Obligations:	
Aaa	\$ 1,111,917
U. S. Government Agencies:	
Aaa	1,875,471
Corporate Bonds:	
A1	549,545
Baa1	592,160
Baa2	99,014
Money Market Mutual Funds:	
Not rated	157,608
	<u>\$ 4,385,715</u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Mortgage Corp amounting to 18.27% of the Town's total investments.

B. Receivables

At June 30, 2016, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 792,710	\$ (118,230)	\$ 674,480
Deferred property taxes	31,570	(2,450)	29,120
Tax liens	803,298	-	803,298
Excise taxes	254,364	(86,459)	167,905
Departmental	1,031,155	(447,318)	583,837
Special assessments	10,331	-	10,331
Due from other governments	2,850,495	-	2,850,495
	<u>\$ 5,773,923</u>	<u>\$ (654,457)</u>	<u>\$ 5,119,466</u>

At June 30, 2016, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
Sewer user charges	\$ 221,719	\$ (3,651)	\$ 218,068
Sewer tax liens	28,745	-	28,745
Special assessments	231,793	-	231,793
	<u>\$ 482,257</u>	<u>\$ (3,651)</u>	<u>\$ 478,606</u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The composition of amounts due from other governments as of June 30, 2016 for governmental funds is as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Revenue:

Veterans, blind and surviving spouses \$ 72,283

Department of Veterans Services:

Veterans benefits 19,575 \$ 91,858

Middle School Construction Fund:

Massachusetts School Building Assistance:

School building assistance 799,280

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch 62,460

U. S. Department of Education:

School title grants 11,358

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

School lunch 2,546

Executive Office of Public Safety and Homeland Security:

Public safety grants 9,340

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds 1,652,285

Massachusetts School Building Assistance:

School building assistance 215,599

Other:

5,769 1,959,357

\$ 2,850,495

C. Deferred Inflows of Resources – Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

General Fund:			
Property taxes	\$	587,555	
Deferred property taxes		29,120	
Tax liens		803,298	
Excise taxes		167,905	
Departmental		181,586	
Special assessments		10,331	
Due from other governments		13,943	\$ 1,793,738
Nonmajor Governmental Funds:			
Departmental		331,043	
Due from other governments		58,140	389,183
		<u>58,140</u>	<u>389,183</u>
		<u>\$ 2,182,921</u>	

D. Capital Assets

Capital asset activities for the year ended June 30, 2016 is as follows;

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 8,796,844	\$ -	\$ -	\$ 8,796,844
Construction in progress	34,000,191	8,163,866	(40,950,171)	1,213,886
Total capital assets not being depreciated	<u>42,797,035</u>	<u>8,163,866</u>	<u>(40,950,171)</u>	<u>10,010,730</u>
Capital assets being depreciated:				
Buildings and Renovations	63,953,396	43,546,790	-	107,500,186
Machinery, equipment and other	11,217,320	654,064	(450,000)	11,421,384
Infrastructure	25,389,937	2,317,984	-	27,707,921
Total capital assets being depreciated	<u>100,560,653</u>	<u>46,518,838</u>	<u>(450,000)</u>	<u>146,629,491</u>
Less accumulated depreciation for:				
Buildings and Renovations	21,684,990	2,700,021	-	24,385,011
Machinery, equipment and other	8,450,642	746,260	(450,000)	8,746,902
Infrastructure	13,845,671	742,640	-	14,588,311
Total accumulated depreciation	<u>43,981,303</u>	<u>4,188,921</u>	<u>(450,000)</u>	<u>47,720,224</u>
Total capital assets being depreciated, net	<u>56,579,350</u>	<u>42,329,917</u>	<u>-</u>	<u>98,909,267</u>
Total governmental activities capital assets, net	<u>\$ 99,376,385</u>	<u>\$ 50,493,783</u>	<u>\$ (40,950,171)</u>	<u>\$ 108,919,997</u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 503,030	\$ -	\$ -	\$ 503,030
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>503,030</u>	<u>-</u>	<u>-</u>	<u>503,030</u>
Capital assets being depreciated:				
Buildings and Renovations	4,833,213	-	-	4,833,213
Machinery, equipment and other	1,861,061	227,757	-	2,088,818
Infrastructure	18,468,420	56,734	-	18,525,154
Total capital assets being depreciated	<u>25,162,694</u>	<u>284,491</u>	<u>-</u>	<u>25,447,185</u>
Less accumulated depreciation for:				
Buildings and Renovations	3,930,068	96,664	-	4,026,732
Machinery, equipment and other	1,503,263	75,169	-	1,578,432
Infrastructure	12,075,025	388,563	-	12,463,588
Total accumulated depreciation	<u>17,508,356</u>	<u>560,396</u>	<u>-</u>	<u>18,068,752</u>
Total capital assets being depreciated, net	<u>7,654,338</u>	<u>(275,905)</u>	<u>-</u>	<u>7,378,433</u>
Total business-type activities capital assets, net	<u>\$ 8,157,368</u>	<u>\$ (275,905)</u>	<u>\$ -</u>	<u>\$ 7,881,463</u>

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

Governmental Activities:	
General government	\$ 77,552
Public safety	433,783
Public works	983,522
Education	2,402,173
Health and human services	83,347
Culture and recreation	208,544
Total depreciation expense - governmental activities	<u>\$ 4,188,921</u>
Business-Type Activities:	
Sewer fund	\$ 546,550
Pakachoag golf course fund	13,846
Total depreciation expense - business-type activities	<u>\$ 560,396</u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2016 are summarized below:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor Governmental fund	Business-type fund	
General fund	\$ -	\$ 15,718	\$ 118,150	\$ 133,868
Nonmajor governmental funds	1,071,837	-	-	1,071,837
Business-type fund	271,924	-	-	271,924
Total transfers out	<u>\$ 1,343,761</u>	<u>\$ 15,718</u>	<u>\$ 118,150</u>	<u>\$ 1,477,629</u>

F. Leases

The Town has entered into lease agreements as lessee for financing of the government activities fire department vehicles and highway vehicles, and business-type activities golf course carts. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

Asset:	Governmental Activities	Business-type Activities
Machinery, Equipment and Other	\$ 1,585,980	\$ 82,622
Less: Accumulated Depreciation	(237,557)	(8,262)
Total	<u>\$ 1,348,423</u>	<u>\$ 74,360</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

Year Ending June 30,	Governmental Activities	Business-type Activities
2017	\$ 310,874	\$ 13,565
2018	266,918	13,565
2019	156,802	13,565
2020	78,208	13,565
2021	78,207	13,564
2022	78,207	-
Total minimum lease payments	969,216	67,824
Less: amount representing interest	(73,943)	(5,433)
Present value of minimum lease payments	<u>\$ 895,273</u>	<u>\$ 62,391</u>

G. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2015	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2016
Governmental Activities						
Bond Anticipation Notes:						
Middle School project	1.25%	09/15/15	\$ 10,090,922	\$ -	\$ 10,090,922	\$ -
Fy2015 Capital improvements	1.25%	09/15/15	1,125,000	-	1,125,000	-
Land acquisition	0.45%	09/15/15	2,865,000	-	2,865,000	-
Middle School project	1.00%	09/15/16	-	5,142,235	-	5,142,235
Total Governmental Activities			<u>\$ 14,080,922</u>	<u>\$ 5,142,235</u>	<u>\$ 14,080,922</u>	<u>\$ 5,142,235</u>

H. Long Term Debt

General Obligation Bonds

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

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2016
Inside Debt:					
General Obligation Bonds 2007:					
Dam Repair	4.00%	02/15/07	02/15/17	\$ 240,000	\$ 20,000
Capital Improvements	4.00%	02/15/07	02/15/17	885,000	45,000
Land Acquisition	4.00%	02/15/07	02/15/17	350,000	35,000
Remodeling Projects	4.00%	02/15/07	02/15/17	475,000	25,000
Departmental Equipment	4.00%	02/15/07	02/15/17	456,000	30,000
Drainage	4.00%	02/15/07	02/15/17	50,000	5,000
General Obligation Bonds 2009:					
Remodeling Projects	3.0-5.0%	09/01/08	09/01/18	949,060	270,000
Departmental Equipment	3.0-5.0%	09/01/08	09/01/18	830,819	115,000
Drainage	3.0-5.0%	09/01/08	09/01/18	859,121	15,000
Dam Repairs	3.0-5.0%	09/01/08	09/01/18	60,000	15,000
General	3.0-5.0%	09/01/08	09/01/18	100,000	15,000
General Obligation Bonds 2012	.97-1.4%	03/22/12	03/15/26	7,436,000	4,860,000
General Obligation Bonds 2013	.84-1.47%	01/15/13	01/15/23	4,434,027	2,749,000
General Obligation Bonds 2014:					
School Construction	2.0-4.0%	04/01/14	06/01/24	9,970,000	8,160,000
Land Acquisition	2.0-4.0%	04/01/14	06/01/24	755,000	620,000
Municipal Purpose Loan 2014:					
Various projects	2.63%	09/15/14	09/15/34	1,827,667	1,600,000
Land Acquisition	2.63%	09/15/14	09/15/20	150,000	115,000
School Construction	2.63%	09/15/14	09/15/20	795,000	660,000
General Obligation Bonds 2015	2.52%	09/01/15	09/01/25	5,744,500	5,744,500
Massachusetts Clean Water Trust:					
Stormwater Development	2.00%	03/18/09	07/15/28	346,216	239,599
Total Inside Debt					<u>25,338,099</u>
Outside Debt:					
Municipal Purpose Loan 2014:					
Middle School Construction	2.63%	09/15/14	09/15/34	13,653,000	12,960,000
Municipal Purpose Loan 2015:					
Middle School Construction	2.52%	09/01/15	09/01/25	5,000,000	5,000,000
Total Outside Debt					<u>17,960,000</u>
Total governmental type debt					<u><u>\$ 43,298,099</u></u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Future Debt Service

The annual principal and interest payments to retire all governmental type fund general obligation long-term debt outstanding as of June 30, 2016 are as follows:

Year	Principal	Interest	Total
2017	\$ 4,725,801	\$ 1,387,120	\$ 6,112,921
2018	4,458,630	1,267,355	5,725,985
2019	4,339,966	1,136,010	5,475,976
2020	4,046,309	1,000,413	5,046,722
2021	3,762,659	856,984	4,619,643
2022-2026	13,283,789	2,415,071	15,698,860
2027-2031	4,710,945	972,907	5,683,852
2032-2036	3,970,000	273,619	4,243,619
	<u>\$ 43,298,099</u>	<u>\$ 9,309,479</u>	<u>\$ 52,607,578</u>

General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2016
Sewer Fund:					
Inside Debt:					
Sewer system repairs	1.86%	03/22/12	03/15/26	\$ 1,200,000	<u>\$ 850,000</u>
Total Inside Debt					<u>850,000</u>
Outside Debt:					
Sewer mains design and construction	1.27%	01/15/13	01/15/20	313,000	171,000
Sewer mains	2.52%	09/01/15	09/01/35	1,300,000	<u>1,300,000</u>
Total Outside Debt					<u>1,471,000</u>
Total Business-type debt					<u><u>\$ 2,321,000</u></u>

Future Debt Service

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2016 are as follows:

Year	Principal	Interest	Total
2017	\$ 195,000	\$ 66,286	\$ 261,286
2018	193,000	62,061	255,061
2019	192,000	57,552	249,552
2020	191,000	52,411	243,411
2021	150,000	46,966	196,966
2022-2026	750,000	162,556	912,556
2027-2031	325,000	76,781	401,781
2032-2036	325,000	26,610	351,610
	<u>\$ 2,321,000</u>	<u>\$ 551,223</u>	<u>\$ 2,872,223</u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

A summary of the changes in governmental activities and business-type long term debt during the year is as follows:

	Balance			Balance	Amounts Due
	July 1, 2015	Additions	Reductions	June 30, 2016	within One
					Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 36,238,667	\$ 10,744,500	\$ 3,924,667	\$ 43,058,500	\$ 4,709,500
Massachusetts Clean Water Trust bonds	255,577	-	15,978	239,599	16,301
Capital lease	811,049	332,786	248,562	895,273	281,453
Compensated absences	983,584	37,738	1,588	1,019,734	254,933
OPEB liability obligation	32,488,880	3,064,818	-	35,553,698	-
Net pension liability	28,010,170	5,061,309	-	33,071,479	-
Governmental activity					
Long-term liabilities	<u>\$ 98,787,927</u>	<u>\$ 19,241,151</u>	<u>\$ 4,190,795</u>	<u>\$ 113,838,283</u>	<u>\$ 5,262,187</u>
Business-type activities:					
Bond Payable:					
General obligation bonds	\$ 1,152,000	\$ 1,300,000	\$ 131,000	\$ 2,321,000	\$ 195,000
Capital lease	-	82,622	20,231	62,391	11,648
Compensated absences	4,942	-	1,360	3,582	3,582
OPEB liability obligation	409,938	14,823	-	424,761	-
Net pension liability	1,087,503	161,999	-	1,249,502	-
Business-type activity					
Long-term liabilities	<u>\$ 2,654,383</u>	<u>\$ 1,559,444</u>	<u>\$ 152,591</u>	<u>\$ 4,061,236</u>	<u>\$ 210,230</u>

Massachusetts Clean Water Trust (MCWT)

The Town is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$346,216 and interest costs of \$72,380 for one loan which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2016 for principal and interest combined for the loan is \$272,087. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2016 totaled \$26,188,099.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The following is a computation of the legal debt limit as of June 30, 2016:

Equalized Valuation-Real Estate and Personal Property (2016)		\$ 2,042,948,200	
Debt Limit: 5 % of Equalized value		102,147,410	
Total Debt Outstanding	\$ 45,619,099		
Less: Debt Outside Debt Limit	(19,431,000)	26,188,099	
<hr/>			
Inside Debt Excess Borrowing Capacity at June 30, 2016		\$ 75,959,311	

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2016 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
05/07/13	New Auburn Middle School	\$ 20,715,999
05/06/14	Fy2015 capital improvement program	50,000
03/24/15	School roof and boiler replacements	3,024,153
05/05/15	Fy2016 capital improvement program	85,000
05/05/16	Fy2017 capital improvement program	722,000
		<hr/>
		\$ 24,597,152
		<hr/>

Overlapping Debt

The Town pays assessments which include debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	Current Year's Long Term Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Southern Worcester County Regional Vocational School District: School Construction	\$ 26,655,000	12.91%	\$ 3,441,161
			<hr/>

The above debt does not reflect the Commonwealth of Massachusetts School Building Assistance grants to pay for the interest and principal on allowable costs.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

I. Fund Balances

The following is a summary of the Governmental fund balances at the year ended June 30, 2016:

	General Fund	Middle School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 945,869	\$ 945,869
Restricted:				
Federal, state and local grants	-	-	66,570	66,570
School federal and state grants	-	-	635,197	635,197
School revolving funds	-	-	1,558,542	1,558,542
Town revolving funds	-	-	725,182	725,182
Pension reserve fund	-	-	1,490,956	1,490,956
Donations and gifts	-	-	215,328	215,328
Technology	-	-	360,377	360,377
Debt service	827,008	-	29,649	856,657
Capital improvements trust	-	-	1,580,148	1,580,148
High school gymnasium health and recreation trust	-	-	529,381	529,381
Capital projects	-	-	2,354,510	2,354,510
Permanent funds	-	-	656,378	656,378
Other	-	-	319,681	319,681
	<u>827,008</u>	<u>-</u>	<u>10,521,899</u>	<u>11,348,907</u>
Committed:				
Ambulance	-	-	1,961,227	1,961,227
Assigned:				
General government	147,472	-	-	147,472
Public safety	71,299	-	-	71,299
Public works	188,876	-	-	188,876
Education	722,476	-	-	722,476
Health and human services	18,271	-	-	18,271
Employee benefits and Insurance	32,669	-	-	32,669
Subsequent year's budget	100,000	-	-	100,000
	<u>1,281,063</u>	<u>-</u>	<u>-</u>	<u>1,281,063</u>
Unassigned:				
General Fund	12,797,457	-	-	12,797,457
Deficit special revenue funds	-	-	(109,155)	(109,155)
Deficit capital projects	-	(2,538,019)	-	(2,538,019)
	<u>12,797,457</u>	<u>(2,538,019)</u>	<u>(109,155)</u>	<u>10,150,283</u>
Total Governmental fund balances	<u>\$ 14,905,528</u>	<u>\$ (2,538,019)</u>	<u>\$ 13,319,840</u>	<u>\$ 25,687,349</u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

J. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2016 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 2,340,926
School stabilization fund	5,269
	\$ 2,346,195

4. OTHER INFORMATION

A. Risk Management

Health Insurance

The Town is self-insured for its health insurance activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Liabilities are reported when it is possible that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effect of inflation, recent claims settlement trends, and other economic and social factors.

The Town estimates is Incurred But Not Reported (IBNR) claims based on a historical analysis of the timing of claims paid. The Town purchases stop loss insurance for claims in excess of coverage provided by the Town in the amount of \$100,000. At June 30, 2016, the amount of the liability for health insurance claims totaled \$413,850. This liability is the best estimate based on available information.

The Town's changes in the reported liability for the fiscal years ended June 30, 2016 and the two preceding years are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year End
Fiscal Year 2016	\$ 377,457	\$ 5,805,865	\$ (5,769,472)	\$ 413,850
Fiscal Year 2015	\$ 320,886	\$ 5,522,029	\$ (5,465,458)	\$ 377,457
Fiscal Year 2014	\$ 314,039	\$ 5,204,389	\$ (5,197,542)	\$ 320,886

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Various cases are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2016 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2016.

Federal Financial Assistance

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

C. Pension Plan

Plan Description

The Town is a member of the Worcester Regional Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Worcester Regional Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. 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 contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2015. The Town's portion of the collective pension expense contributed by the Commonwealth of \$3,978,802 on-behalf payments for the fiscal year ending June 30, 2016 is reported as intergovernmental revenues and insurance and employee benefits expenditures in the General Fund as of the measurement date.

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's 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 Board and are borne by the System.

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. 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 active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2015 was \$2,175,190, representing 16.4% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2016, a reported liability of \$34,320.981 is the Town's proportionate share of the net pension liability as measured as of December 31, 2015. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportional percentage was 4.83526%, which was a slight decrease from the last measurement.

Pension Expense

For the year ended June 30, 2016, the Town recognized a pension expense of \$4,722,266 and reported deferred outflows of resources related to pensions of \$2,963,728 from the net difference between projected and actual investment earnings on pension plan investments and deferred inflows of resources related to pensions of \$269,993 from the changes in proportion and differences between employer contributions and

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

proportionate share of contributions. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or a change of assumptions as of December 31, 2015.

The Town's net deferred outflows/(inflows) of resources related to pensions will be recognized in the pension expense as follows:

For years ended June 30,	
2017	\$ 618,609
2018	618,609
2019	618,609
2020	614,677
Thereafter:	223,231
	<u><u>\$ 2,693,735</u></u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2015:

Valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal
Amortization method	<p><i>Unfunded Actuarial Accrued Liability (UAAL):</i> Increasing dollar amount at 4.0% to reduce the UAAL to zero on or before June 30, 2035.</p> <p><i>2002 & 2003 Early Retirement Incentive (ERI):</i> Increasing dollar amount at 4.5% to reduce the 2002 & 2003 ERI to zero on or before June 30, 2028.</p> <p><i>2010 Early Retirement Incentive (ERI):</i> Increasing dollar amount to reduce the 2010 ERI to zero on or before June 30, 2022.</p>
Remaining amortization period	21 years, except for ERI for 2002 and 2003 (14 years) and 2010 (8 years)
Asset valuation method	<p>The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of: 80% of the gains and losses of the prior year, 60% of the gains and losses of the second prior year, 40% of the gains and losses of the third prior year, and 20% of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.</p>
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Projected salary increase	3.0% per year, including longevity
Inflation	Not explicitly assumed for the update to December 31, 2015 (3.5% per year for the actuarial valuation as of January 1, 2014)

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Mortality rates

RP-2000 Mortality Table Projected to 2014 with Scale AA
 RP-2000 Mortality Table set forward two years for disabled members

Long-term Expected Rate of Return

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	40%	8.02%
Fixed income	23%	5.09%
Private Equity	10%	9.50%
Real Estate	10%	6.50%
Timber/Natural Resources	4%	7.07%
Hedge Funds	9%	6.50%
Other	4%	6.18%
Total	<u>100%</u>	

Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 0.05%. The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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 that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or 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.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%. As well as what the 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease	Current	Discount Rate	1% Increase
	6.75%	7.75%	7.75%	8.75%
Town's net pension liability	\$ 41,322,953	\$ 34,320,981	\$	28,375,501

D. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009 and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits as described on the following footnote, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 934 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2016 fiscal year, total Town premiums plus implicit costs for the retiree medical program used in the OPEB cost are \$1,823,011 consisting of \$1,804,178 for governmental activities and \$18,833 for the business-type activities.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

	Governmental Activities	Business-type Activities	Total
Annual required contribution	\$ 4,674,443	\$ 32,967	\$ 4,707,410
Interest on net OPEB obligation	1,299,557	16,396	1,315,953
Adjustment to annual required contribution	(1,105,004)	(15,707)	(1,120,711)
Annual OPEB cost (expense)	4,868,996	33,656	4,902,652
Contributions made during the fiscal year	(1,804,178)	(18,833)	(1,823,011)
Increase in net OPEB obligation	3,064,818	14,823	3,079,641
Net OPEB Obligation - beginning of year	32,488,880	409,938	32,898,818
Net OPEB Obligation - end of year	<u>\$ 35,553,698</u>	<u>\$ 424,761</u>	<u>\$ 35,978,459</u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2016 fiscal year and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 4,902,652	37.2%	\$ 35,978,459
6/30/2015	\$ 5,664,259	37.0%	\$ 32,898,818
6/30/2014	\$ 5,377,489	40.2%	\$ 29,328,434

Funded Status and Funding Process

As of June 30, 2016 the most recent valuation date, the plan was 3.7% funded. The actuarial liability for benefits was \$59,489,764, and the actuarial value of assets was \$2,216,871, resulting in an unfunded actuarial accrued liability (UAAL) of \$57,272,893. The covered payroll (annual payroll of active employees covered by the plan) was \$32,510,903 and the ratio of the UAAL to the covered payroll was 176.2%.

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 contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The Town OPEB actuarial valuation as of June 30, 2016, used the projected unit credit cost method. The OPEB liability is currently funded and the actuarial assumptions include a partial prefunding 4.0% interest rate and full prefunding 8.0% interest rate, and a 4.0% discount rate. Medical and dental care inflation trend is 6.0% in 2016, decreasing for four years to an ultimate rate of 4.5% per year.

The unfunded actuarial accrued liability is being amortized over 30 years on a level percent of pay, open basis for partial and closed basis for full prefunding method forecast. The remaining amortization period at June 30, 2016 is 23 years.

Trust Fund

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2016 the trust balance is \$2,211,695.

E. Subsequent Event

In September of 2016, the Town received \$4,205,666 in note proceeds with an interest rate of 1.5% to finance the middle school construction projects. The principal and interest payment will be due September 2017.

F. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, for implementation in 2016.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for implementation in 2016.

G. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, for implementation in fiscal year 2017.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF AUBURN, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2016**

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

	<u>12/31/15</u>	<u>12/31/14</u>
Town's proportion of the net pension liability (asset)	4.83526%	4.88981%
Town's proportionate share of the net pension liability (asset)	\$ 34,320,981	\$ 29,097,673
Town's covered employee payroll	\$ 13,295,230	\$ 12,880,029
Net pension liability percentage of covered-employee payroll	258.15%	225.91%
Plan fiduciary net position as a percentage of the total pension liability	44.52%	47.94%

Note: these schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF AUBURN, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2016

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

	<u>12/31/15</u>	<u>12/31/14</u>
Actuarially determined contribution	\$ 2,175,190	\$ 1,932,405
Less: Contributions in relation to the actuarially determined contribution	<u>(2,175,190)</u>	<u>(1,932,405)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 13,295,230	\$ 12,880,029
Contributions percentage of covered-employee payroll	16.4%	15.0%

Note: these schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF AUBURN, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
Other Post Employment Benefit Plan Schedule
Year Ended June 30, 2016

Schedule of Funding Progress

Other Post Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2016	\$ 2,216,871	\$ 59,489,764	\$ 57,272,893	3.7%	\$ 32,510,903	176.2%
6/30/2014	\$ 1,047,456	\$ 67,950,702	\$ 66,903,246	1.5%	\$ 30,021,256	222.9%
6/30/2012	\$ -	\$ 79,986,669	\$ 79,986,669	0.0%	\$ 24,776,454	322.8%

Schedule of Contribution Funding

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2016	\$ 4,902,652	\$ 1,823,011	37.2%
2015	\$ 5,664,259	\$ 2,093,875	37.0%
2014	\$ 5,377,489	\$ 2,162,181	40.2%

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to the Basic Financial Statements.

Actuarial Methods:

Valuation date	June 30, 2016
Actuarial cost method	Projected Unit Credit Method
Amortization method	30-year amortization payments

Actuarial Assumptions:

Investment rate of return	Partial Prefunding: 4.0%, net of investment expenses Full Prefunding: 8.0%, net of investment expenses
Medical/drug cost trend rate	6.0% in 2016, decreasing for four years to an ultimate rate of 4.5% per year in 2019.

Plan Membership:

Current active members	517
Current retirees, beneficiaries and dependents	417
Total	<u>934</u>

SUPPLEMENTARY SCHEDULES

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 59,404	\$ 799,753	\$ 827,685	\$ -	\$ 31,472
Arts Lottery Council Grant	5,012	5,406	6,494	-	3,924
Library Grants	28,774	20,409	9,530	-	39,653
Highway Grants	-	1,563,535	1,594,145	-	(30,610)
Other Grants and Programs	30,916	205,889	287,371	-	(50,566)
Public Safety Grants	(59,912)	132,410	93,202	15,718	(4,986)
Schools:					
School Lunch Program	118,540	829,782	722,203	-	226,119
School Lunch Commodities	-	61,740	61,740	-	-
School Choice	528,094	327,610	282,671	-	573,033
School Revolving Accounts	527,833	799,969	625,040	-	702,762
School Rentals	31,173	39,389	11,934	-	58,628
State Special Education Reimbursement Fund	621,537	602,007	621,819	-	601,725
Other:					
Ambulance Programs	1,507,334	1,276,168	46,662	(775,000)	1,961,840
Bid Deposits/Escrow	5,037	-	1,950	-	3,087
Board of Health Revolving Account	61,477	24,500	6,405	(20,000)	59,572
Casella Waste	50,000	50,000	-	(50,000)	50,000
Charter Communications Grants	330,889	233,802	204,314	-	360,377
Council on Aging Building Rental	3,278	5,372	2,444	-	6,206
Dog Fines	2,782	1,575	-	-	4,357
Dog License Fees	67,570	34,250	-	(21,114)	80,706
Gifts and Donations	212,399	74,892	71,963	-	215,328
Insurance Reimbursements	117,129	93,291	119,321	-	91,099
Library Lost/Damaged Items	7,305	1,283	-	-	8,588
Road Improvements	46,314	-	-	-	46,314
Outside Work Revolving	(22,837)	485,602	465,619	-	(2,854)
Other Programs and Funds	6,355	375	25	(4,386)	2,319
Pakachoag Golf Lease	20,207	30,000	-	(36,000)	14,207
Police Towing	23,857	10,728	-	(22,000)	12,585
Total Special Revenue Page 65	\$ 4,330,467	\$ 7,709,737	\$ 6,062,537	\$ (912,782)	\$ 5,064,885

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Continued from Page 65	\$ 4,330,467	\$ 7,709,737	\$ 6,062,537	\$ (912,782)	\$ 5,064,885
Special Revenue (continued):					
Other (continued):					
Premium and Interest on Bonds	67,267	-	-	(37,618)	29,649
Restitution	3	-	-	-	3
Revolving Accounts	299,702	319,764	300,121	-	319,345
Sale of Cemetery Lots	96,447	18,720	-	(30,000)	85,167
Sale of Real Estate	98,402	-	-	-	98,402
Seniors Disabled Revolving	780	175	-	-	955
Council on Aging Private Grants	2,743	2,878	2,890	-	2,731
Wetlands Protection Fees	48,659	8,448	-	(3,000)	54,107
Auburn High School Gymnasium Fund	513,273	24,587	-	(8,479)	529,381
Capital Improvement Trust	1,534,281	73,407	-	(27,540)	1,580,148
Conservation Fund	1,329	5	-	-	1,334
Federal Law Enforcement Fund	59,715	60	2,296	-	57,479
Law Enforcement Fund	47,738	1,985	1,184	-	48,539
Pension Reserve Fund	1,446,691	69,265	-	(25,000)	1,490,956
Total Special Revenue Funds	8,547,497	8,229,031	6,369,028	(1,044,419)	9,363,081
Capital Projects:					
Auburn Middle School Feasibility Study	17,171	-	-	-	17,171
Bryn Mawr Accelerated Repairs	-	318,810	405,505	-	(86,695)
Dam/Highway/Landfill	2,053	-	-	-	2,053
High School Construction	20,646	-	-	-	20,646
High School Land Acquisition	33,356	-	-	-	33,356
Other Projects and Programs	1,753	-	-	-	1,753
Pondville Dam Repair	5,582	-	-	-	5,582
Southold Road Land Acquisition	(2,865,000)	-	-	2,865,000	-
Swanson Accelerated Repairs	-	855,646	808,381	-	47,265
Total Capital Projects Page 66	\$ (2,784,439)	\$ 1,174,456	\$ 1,213,886	\$ 2,865,000	\$ 41,131

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Capital Projects Continued from page 66	\$ (2,784,439)	\$ 1,174,456	\$ 1,213,886	\$ 2,865,000	\$ 41,131
Fiscal Year 2006 General Obligation Bond Projects	37,500	-	9,875	-	27,625
Fiscal Year 2007 General Obligation Bond Projects	23,401	-	23,476	-	(75)
Fiscal Year 2008 General Obligation Bond Projects	51,547	-	37,094	-	14,453
Fiscal Year 2009 General Obligation Bond Projects	93,667	-	50,411	220,000	263,256
Fiscal Year 2010 General Obligation Bond Projects	178,261	-	142,174	-	36,087
Fiscal Year 2011 General Obligation Bond Projects	445,542	-	416,384	-	29,158
Fiscal Year 2012 General Obligation Bond Projects	477,953	-	365,222	-	112,731
Fiscal Year 2013 General Obligation Bond Projects	797,223	-	312,691	-	484,532
Fiscal Year 2014 General Obligation Bond Projects	680,839	-	572,242	-	108,597
Fiscal Year 2015 General Obligation Bond Projects	(206,152)	-	952,943	1,435,000	275,905
Fiscal Year 2016 General Obligation Bond Projects	-	-	263,388	1,224,500	961,112
Total Capital Project Funds	<u>(204,658)</u>	<u>1,174,456</u>	<u>4,359,786</u>	<u>5,744,500</u>	<u>2,354,512</u>
Perpetual Permanent Funds:					
Cemetery Perpetual Care Fund	907,882	28,000	-	-	935,882
Library Fund	9,987	-	-	-	9,987
Total Perpetual Permanent Funds	<u>917,869</u>	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>945,869</u>
Permanent Funds:					
Cemetery Perpetual Care Fund	324,692	60,724	-	(11,700)	373,716
Library Fund	147,748	7,648	4,299	-	151,097
Norma Card Fire Memorial Fund	125,467	6,098	-	-	131,565
Total Permanent Funds	<u>597,907</u>	<u>74,470</u>	<u>4,299</u>	<u>(11,700)</u>	<u>656,378</u>
Total - Non-Major Governmental Funds	<u>\$ 9,858,615</u>	<u>\$ 9,505,957</u>	<u>\$ 10,733,113</u>	<u>\$ 4,688,381</u>	<u>\$ 13,319,840</u>

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND SUPPLEMENTAL TAXES
AND DEFERRED PROPERTY TAXES
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Real Estate Taxes:						
Levy of 2016	\$ -	\$ 36,701,140	\$ 279,814	\$ 35,908,190	\$ 513,136	\$ 513,136
Levy of 2015	523,852	-	151,612	260,917	111,323	111,578
Levy of 2014	94,924	-	23,027	61,869	10,028	10,028
Levy of 2013	23,759	-	6,055	11,472	6,232	6,232
Levy of 2012	2,488	-	-	2,477	11	11
Prior Years	1,683	-	-	1,622	61	61
	<u>646,706</u>	<u>36,701,140</u>	<u>460,508</u>	<u>36,246,547</u>	<u>640,791</u>	<u>641,046</u>
Personal Property Taxes:						
Levy of 2016	-	1,770,692	3,953	1,754,335	12,404	12,404
Levy of 2015	13,009	-	-	4,950	8,059	8,059
Levy of 2014	4,012	-	934	(612)	3,690	3,690
Levy of 2013	13,668	-	2,000	(1,473)	13,141	13,141
Levy of 2012	18,296	-	2,000	(1,908)	18,204	18,204
Prior Years	96,796	-	8,066	(6,901)	95,631	95,631
	<u>145,781</u>	<u>1,770,692</u>	<u>16,953</u>	<u>1,748,391</u>	<u>151,129</u>	<u>151,129</u>
Supplemental Taxes	<u>1,318</u>	<u>47,993</u>	<u>-</u>	<u>48,521</u>	<u>790</u>	<u>790</u>
Total Real Estate, Personal Property and Supplemental Taxes	<u>\$ 793,805</u>	<u>\$ 38,519,825</u>	<u>\$ 477,461</u>	<u>\$ 38,043,459</u>	<u>\$ 792,710</u>	<u>\$ 792,965</u>
Deferred Property Taxes	<u>\$ 28,669</u>	<u>\$ 2,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,570</u>	<u>\$ 31,570</u>

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Motor Vehicle Excise Taxes:						
Levy of 2016	\$ -	\$ 2,670,330	\$ 57,060	\$ 2,497,636	\$ 115,634	\$ 115,634
Levy of 2015	140,236	303,006	19,866	380,718	42,658	42,658
Levy of 2014	39,148	-	981	20,617	17,550	17,550
Levy of 2013	13,286	-	738	3,451	9,097	9,097
Levy of 2012	8,309	-	-	543	7,766	7,766
Prior Years	70,371	872	8,164	1,420	61,659	61,659
Total Motor Vehicle Excise Taxes	\$ 271,350	\$ 2,974,208	\$ 86,809	\$ 2,904,385	\$ 254,364	\$ 254,364

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Accounts July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2016	Uncollected Accounts Per Detail June 30, 2016
Tax Liens	\$ 636,216	\$ 214,270	\$ -	\$ 63,652	\$ 786,834	\$ 789,389
Tax Liens-Trash	13,105	5,166	-	1,807	16,464	16,464
Total Tax Liens	<u>\$ 649,321</u>	<u>\$ 219,436</u>	<u>\$ -</u>	<u>\$ 65,459</u>	<u>\$ 803,298</u>	<u>\$ 805,853</u>