

DEVENS ENTERPRISE COMMISSION

Financial Statements

June 30, 2015

(With Accountants' Report Thereon)

Devens Enterprise Commission
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INDEPENDENT AUDITORS' REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS -
DEVENS ENTERPRISE COMMISSION

Board of Directors
Devens Enterprise Commission
33 Andrews Parkway
Devens, Massachusetts 01434

Report on the Financial Statements

We have audited the Statement of Net Position of the Devens Enterprise Commission as of June 30, 2015 and the Statements of Revenues Expenses and Changes in Net Position and Cash Flows for the year ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Devens Enterprise Commission, as of June 30, 2015 and the results of its operations and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
October 28, 2015

***Devens Enterprise Commission
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2015***

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

Financial Highlights

- The assets of the Devens Enterprise Commission exceeded its liabilities at the close of the most recent fiscal year by \$1,496,885 (*net position*).
- The Commission's total net position decreased by (\$261,076) or (15%).
- At the end of the current fiscal year, the balance in the unrestricted net position account was \$1,486,885, or 196% of total expenses.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction of the Devens Enterprise Commission's basic financial statements.

Proprietary funds. The Devens Enterprise Commission maintains one proprietary (enterprise) fund type. The Devens Enterprise Commission was established to expedite and regulate the orderly conversion and redevelopment of Fort Devens to non military uses in compliance with the Devens Reuse Plan.

Financial Analysis

Net Position

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed net position for the past two fiscal years.

	<u>2015</u>	<u>2014</u>
Current Assets	\$ 1,648,599	\$ 1,910,314
Capital Assets	-	658
Total Assets	<u>1,648,599</u>	<u>1,910,972</u>

	<u>2015</u>	<u>2014</u>
Current Liabilities	148,515	143,698
Noncurrent Liabilities	3,199	9,322
Total Liabilities	<u>151,714</u>	<u>153,020</u>

Net Position:

Net Investment in Capital Assets	-	658
Restricted	10,000	10,000
Unrestricted	1,486,885	1,747,294
Total Net Position	<u>\$ 1,496,885</u>	<u>\$ 1,757,952</u>

Changes in Net Position

The following condensed financial information was derived from the Statement of Revenues, Expenses, and Changes in Net Position. It reflects how the entity's net position has changed during the fiscal year.

Revenues	<u>2015</u>	<u>2014</u>
Permits and Other Fees	\$ 367,270	\$ 799,307
Taxes	102,285	114,181
Intergovernmental	23,931	-
Earnings on Investments	4,595	4,663
Total Revenues	<u>498,081</u>	<u>918,151</u>
Expenses		
Personnel	253,889	247,205
Non Personnel	504,601	289,735
Depreciation	658	3,949
Total Expenses	<u>759,148</u>	<u>540,889</u>
Increase (Decrease) in Net Position	<u>\$ (261,067)</u>	<u>\$ 377,262</u>

Tax Revenues

Beginning in fiscal year 1995, the Commonwealth of Massachusetts provided grant revenues to the Commission to help fund operations. The grants were continued through fiscal year 1998. From fiscal year 1998 through fiscal year 2004, the Commission's only source of revenue was permit fees. Starting in fiscal year 2005, the Commission began receiving 2% of all Devens related tax revenue received by the Massachusetts Development Finance Agency (MassDevelopment).

Financial Analysis of the Commission's Funds

Proprietary Fund

Enterprise Fund – The June 30, 2015 year-end net position of the Commission was \$261,067 less than the prior year's net position. In fiscal year 2014, the net position increased by \$377,262.

The following table reflects the trend in all the components of net position for the past ten years.

<u>Fiscal Year</u>	<u>Total Net Assets</u>	<u>Invested in Capital Assets Net of Related Debt</u>	<u>Restricted</u>	<u>Unrestricted</u>
2015	\$ 1,496,885	\$ -	\$ 10,000	\$ 1,486,885
2014	1,757,952	658	10,000	1,747,294
2013	1,380,690	4,607	10,000	1,366,083
2012	1,199,058	8,555	-	1,190,503
2011	1,391,962	-	-	1,391,962
2010	1,685,476	-	-	1,685,476
2009	1,858,982	-	-	1,858,982
2008	1,600,362	285	-	1,600,077
2007	375,356	2,056	-	373,300
2006	319,136	5,197	-	313,939

Capital Asset and Debt Administration

Capital assets. The Devens Enterprise Commission's investment in capital assets as of June 30, 2015, amounts to \$0 (net of accumulated depreciation). The investment in capital assets includes office equipment, a web page and an Eco Star manual.

Debt

Currently, the Commission does not have any long term or short term debt.

Fiscal Year 2016 Budget

The Commission's fiscal year 2016 budget will be \$684,313. This represents a decrease of \$191,922 from the 2015 budget. The decrease relates to the reduction in funding to Eco Star in fiscal year 2016.

Devens Enterprise Commission
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>Enterprise</u>
Assets	
Current:	
Cash	\$ 1,635,453
Pass Through Receivable	10,035
Prepaid Expenses	<u>3,111</u>
Total Assets	<u>1,648,599</u>
 Liabilities	
Current:	
Accounts Payable	31,381
Wages Payable	25,968
Pass Through Payable	16,166
Other Liabilities	75,000
Noncurrent:	
Compensated Absences	<u>3,199</u>
Total Liabilities	<u>151,714</u>
 Net Position	
Restricted	10,000
Unrestricted	<u>1,486,885</u>
Total Net Position	<u><u>\$ 1,496,885</u></u>

Devens Enterprise Commission
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	<u>Enterprise</u>
Operating Revenues:	
Permits and Other Fees	\$ 367,270
Taxes	102,285
Intergovernmental	<u>23,931</u>
 Total Operating Revenues	 <u>493,486</u>
Operating Expenses:	
Personnel Services	253,889
Contracted Services	88,465
Insurance	12,426
Employee Benefits	32,547
Other Operations	72,232
Pension Expense	23,931
Depreciation	<u>658</u>
 Total Operating Expenses	 <u>484,148</u>
 Operating Income	 <u>9,338</u>
Nonoperating Revenues (Expenses):	
Funding Devens Eco-Efficiency Center	(275,000)
Earnings on Investments	<u>4,595</u>
 Total Nonoperating Revenues (Expenses)	 <u>(270,405)</u>
 Changes in Net Position	 (261,067)
 Total Net Position, July 1, 2014	 <u>1,757,952</u>
 Total Net Position, June 30, 2015	 <u><u>\$ 1,496,885</u></u>

Devens Enterprise Commission
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

Cash Flows from Operating Activities:

Receipts from Customers and MassDevelopment	\$ 461,770
Payments to Employees	(261,431)
Payments to Vendors	(199,598)
Net Cash Flows Provided (Used) by Operating Activities	741

Cash Flows from Non Capital Related Financing Activities:

Funding to Devens Eco-Efficiency Center	(275,000)
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	(275,000)

Cash Flows from Capital and Related Financing Activities

Net Cash Flows Provided (Used) by Capital and Related Financing Activities	-
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Cash Flows from Investing Activities:

Earnings on Investments	4,595
Net Cash Flows Provided (Used) by Investing Activities	4,595

Net Increase (Decrease) in Cash and Cash Equivalents	(269,664)
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Cash and Cash Equivalents, July 1, 2014	1,905,117
Cash and Cash Equivalents, June 30, 2015	\$ 1,635,453

Reconciliation of Operating Income to Net Cash Provided (Used) by Cash Flows from Operating Activities:

Operating Income (Loss)	\$ 9,338
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	658
Decrease (Increase) in Accounts Receivable	(7,785)
Decrease (Increase) in Prepaid Expenses	(164)
Increase (Decrease) in Other Liabilities	(6,134)
Increase (Decrease) in Compensated Absences Payable	(6,123)
Increase (Decrease) in Accounts Payable and Wages Payable	10,951
Net Cash Flows from Operating Activities	\$ 741

Devens Enterprise Commission
Notes to Financial Statements
June 30, 2015

1. Reporting Entity

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

Based on the aforementioned oversight criteria, the Devens Enterprise Commission was the only entity included in the accompanying general purpose financial statements.

2. Summary of Significant Accounting Policies

The accounting policies for financial reporting purposes of the Devens Enterprise Commission conform to generally accepted accounting principles for local governmental units. The following is a summary of the significant accounting policies:

A. Fund Accounting

The Commission reports its financial activities in one proprietary fund type in order to comply with the limitations and restrictions placed on both the resources available and the services provided.

This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges or fees. The Commission receives a percentage (2%) of the tax revenue collected by the Massachusetts Development Finance Agency.

B. Basis of Accounting

The accompanying financial statements have been prepared and presented on the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when the related liability is incurred.

Revenue Recognition

In accordance with Governmental Accounting Standards Board Statement #33, fees charged for permits are considered revenue when they are earned.

Expenses

Expenses are reported when the related liability has been incurred.

3. Pension Plan

A. Plan Description

Certain employees of the Commission are members of the Massachusetts State Employees' Retirement System (MSERS), a cost sharing multiple-employer defined benefit pension plan administered by the Commonwealth. The Commonwealth of Massachusetts Pension System issues a publicly available financial report that includes financial statements and the required supplementary information. In addition, a separate report of the audited Schedules of Employer and Nonemployer Allocations is issued. Those reports may be obtained by writing to the State Retirement Board, 1 Ashburton Place, 12th Floor, Room 219, Boston, MA 02108.

Pension benefits and administrative expenses paid by the MSERS are the legal responsibility of the Commonwealth. This legal requirement constitutes a Special Funding Situation under Governmental Accounting Standards Board Statement #68. The Commonwealth of Massachusetts is responsible for 100% of the Devens Enterprise Commission's share (\$336,532) of the net pension liability.

B. Benefits Provided

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

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

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

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/96 to present	9% of regular compensation
1979 to present	an additional 2% of regular compensation in excess of \$30,000

B. Proportionate Share of the Pension Expense

The Commission's proportionate share of the pension expense for fiscal year 2015 was \$23,931. In accordance with Governmental Accounting Standards Board, Statement # 68, the financial statements recognize that amount as an intergovernmental revenue and a pension expense. The recognition of these amounts does not change operating income or net position.

4. Cash and Investments

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a formal deposit policy for custodial credit risk. As of June 30, 2015, none of the Commissions' bank balance of \$1,412,392 was exposed to credit risk.

Investments

As of June 30, 2015, the Commission had \$228,861 invested in the State Treasurer's Investment Pool (Massachusetts Municipal Depository Trust).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Rate Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission does not have a formal policy relating to credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have a formal policy that limits the amount it may invest in a single issuer.

B. Capital Assets

Capital assets (office equipment) are reported in the accompanying financial statements. The Commission, also, reported assets for its web page and EcoStar manual. Such assets are recorded at historical cost.

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

Depreciation and amortization are charged using the straight line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>				
Office Equipment	5-7				
Web Page	3				
Eco Star Manual	3				
		<u>Beginning</u>		<u>Ending</u>	
		<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Assets Being Depreciated or Amortized:					
Office Equipment		\$ 23,347	\$ -	\$ -	\$ 23,347
Web Page		15,507	-	-	15,507
EcoStar Manual		7,200	-	-	7,200
		<u>46,054</u>	<u>-</u>	<u>-</u>	<u>46,054</u>
Total Capital Assets Being Depreciated					
Less Accumulated Depreciation and Amortization for:					
Office Equipment		22,689	658	-	23,347
Web Page		15,507	-	-	15,507
EcoStar Manual		7,200	-	-	7,200
		<u>45,396</u>	<u>658</u>	<u>-</u>	<u>46,054</u>
Total Accumulated Depreciation					
Total Fixed Assets, Net		<u>\$ 658</u>	<u>\$ (658)</u>	<u>\$ -</u>	<u>\$ -</u>

5. Tax Revenues and Cash Reserve Guarantee

In addition to revenues from permits, the Devens Enterprise Commission (DEC) is entitled to an amount of money that is equal to two percent (2%) of the total of all taxes and all General Management Service fees received by the Massachusetts Development Finance Agency (the Agency) for a fiscal year in accordance with the “**Tax Plan for the Devens Enterprise Zone**”. Taxes include property taxes, motor vehicle excise taxes, local option room occupancy taxes and other taxes that may be included in the plan. Such monies will be paid to the DEC not later than December 31 of the following fiscal year.

As of March 31 of any given year, if the DEC’s cash reserve is forecast by the DEC to fall below \$250,000 by June 30 of that year, the Agency shall pay to the DEC an amount of money sufficient to restore the cash reserve to a balance of \$250,000. Said amount is to be paid on or before July 31 of that year.

6. Compensated Absences

A. Vacation Leave

Full time employees earn paid vacation time in accordance with the following schedule:

Less than 5 years employment	10 days
After 5 years employment	15 days
After 10 years employment	20 days
After 15 years employment	25 days

Employees earn 1/12 of their annual vacation allowance for each full month worked. All employees must use at least 50% of their annual vacation time. A maximum of ten (10) days unused vacation time may be carried over to the next fiscal year. When an employee terminates, he/she will be compensated for their earned but unused vacation allowance. The liability for accumulated compensated absences is reported in the accompanying financial statements.

B. Sick Leave

Employees are granted fifteen (15) days of sick leave every July 1st. Sick leave can accumulate up to sixty (60) days. Upon termination, unused sick leave is not "bought back" by the Commission. As a result an accumulated sick leave liability is not reported.

7. Related Party Transactions

The Devens Enterprise Commission entered into related party transactions with the Devens Eco-Efficiency Center, Inc. (a nonprofit organization). The Executive Director of the Commission is the President of the Devens Eco-Efficiency Center, Inc. (D.E.E.C.). In addition, three members of the Commission’s Board of Directors, also serve as members for the D.E.E.C. The Commission provided the D.E.E.C. with funding in the amount of \$275,000.