

***TOWN OF WESTON, MASSACHUSETTS***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***YEAR ENDED JUNE 30, 2014***

TOWN OF WESTON, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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## **Independent Auditor's Report**

To the Town Manager and Board of Selectmen  
Town of Weston, 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 Weston, Massachusetts as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

## **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 Weston, Massachusetts, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the Town of Weston, 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 the 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 Weston, Massachusetts' internal control over financial reporting and compliance.



December 11, 2014

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of Weston, we offer readers of the Town of Weston's financial statements this narrative overview and analysis of the financial activities of the Town of Weston for the year ended June 30, 2014. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### ***Overview of the Financial Statements***

This discussion and analysis are intended to serve as an introduction to the Town of Weston's basic financial statements. These basic financial statements comprise 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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

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

**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 year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information following the notes to the basic financial statements 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 water activities, Brook School Apartments, and for Recreation activities.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk activities related to retirees' health insurance.

**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.

The fiduciary funds are used to account for agency funds such as guaranteed deposits and student activity funds, as well as for the other postemployment benefit trust fund.

**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.

## **Government-wide Financial Analysis**

### **Governmental Activities:**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Weston's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$134.2 million at the close of year 2014.

	2014 Governmental Activities	2013 Governmental Activities
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Current assets.....	\$ 76,559,318	\$ 74,132,766
Noncurrent assets (excluding capital).....	3,358,887	3,980,538
Capital assets.....	<u>161,983,450</u>	<u>141,389,532</u>
<b>Total assets.....</b>	<b><u>241,901,655</u></b>	<b><u>219,502,836</u></b>
<b>Deferred Outflows of Resources.....</b>	<b>417,233</b>	<b>341,000</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	8,858,552	7,200,825
Noncurrent liabilities (excluding debt).....	16,219,000	13,790,000
Current debt.....	22,453,604	12,047,848
Noncurrent debt.....	<u>60,540,844</u>	<u>61,786,204</u>
<b>Total liabilities.....</b>	<b><u>108,072,000</u></b>	<b><u>94,824,877</u></b>
<b>Net Position:</b>		
Net investment in capital assets.....	96,671,210	87,133,341
Restricted.....	18,082,914	16,023,939
Unrestricted.....	<u>19,492,764</u>	<u>21,861,679</u>
<b>Total net position.....</b>	<b><u>\$ 134,246,888</u></b>	<b><u>\$ 125,018,959</u></b>

Net position of \$96.7 million (72%) reflects 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, \$18.1 million (13%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$19.5 million (15%) may be used to meet the government's ongoing obligations to citizens and creditors.

The governmental activities net position increased by \$9.2 million in year 2014. This increase is primarily attributable to combined effect of several offsetting factors. Net position increased as a result of the recognition of \$6.4 million of capital grants, the acquisition of \$2.9 million of capital assets with current revenues, principal payments on long term debt exceeding depreciation expense by \$743,000, as well as the timing difference attributable to the receipt and disbursement of grant funds. Net position decreased as a result of a \$2.5 million increase in other postemployment benefit liabilities.

	2014 Governmental Activities	2013 Governmental Activities
<b>Program revenues:</b>		
Charges for services.....	\$ 4,949,216	\$ 4,370,501
Operating grants and contributions.....	12,489,985	12,707,966
Capital grants and contributions.....	6,339,502	3,369,057
<b>General revenues:</b>		
Real estate and personal property taxes.....	67,900,551	64,867,099
Community preservation fund surtax.....	1,864,047	1,761,160
Motor vehicle and other excise taxes.....	2,744,140	2,593,140
Penalties and interest on taxes.....	211,297	251,293
Payments in lieu of taxes.....	34,168	32,652
Grants and contributions not restricted to specific programs.....	646,688	657,940
Unrestricted investment income.....	1,799,591	1,279,574
<b>Total revenues.....</b>	<b>98,979,185</b>	<b>91,890,382</b>
<b>Expenses:</b>		
General government.....	3,038,407	2,728,107
Facilities town-wide.....	1,203,888	1,268,257
Finance.....	1,032,813	1,037,623
Planning, land use & inspectional services.....	970,442	1,061,756
Public safety.....	8,830,299	8,865,309
Education.....	64,220,888	60,690,721
Public works.....	5,256,920	4,733,237
Health & human services.....	1,034,404	963,317
Public library.....	1,883,970	1,861,681
Community preservation.....	105,974	201,240
Interest.....	2,272,627	1,914,712
<b>Total expenses.....</b>	<b>89,850,632</b>	<b>85,325,960</b>
<b>Excess (Deficiency) before contributions and transfers.....</b>	<b>9,128,553</b>	<b>6,564,422</b>
<b>Capital contributions.....</b>	<b>-</b>	<b>(1,375,000)</b>
<b>Transfers.....</b>	<b>99,376</b>	<b>(388,819)</b>
<b>Change in net position.....</b>	<b>9,227,929</b>	<b>4,800,603</b>
<b>Net position, beginning of year.....</b>	<b>125,018,959</b>	<b>120,218,356</b>
<b>Net position, end of year.....</b>	<b>\$ 134,246,888</b>	<b>\$ 125,018,959</b>

The other postemployment benefit expense is required to be recognized under GASB Statement #45. In accordance with this pronouncement, the Town obtained an actuarial valuation of the Town's liability to fund other postemployment benefits for current employees and retirees. The GASB allows the unfunded liability, which totaled \$76.4 million, to be amortized over 30 years. There is currently no legal obligation to pre-fund this liability; the Town has opted to fund the majority of their other postemployment benefits on a pre-funded basis. As of June 30, 2014, the Town has pre-funded \$7.6 million of the liability which is recorded in the fiduciary funds. The Town is required to record the difference between the current year pay-as-you go cost and the amount pre-funded, and the current year actuarial determined expense as a liability in the full accrual financial statements. This difference totaled \$2.5 million for governmental activities and \$18,000 for business-type activities for the year ended June 30, 2014.

**Business-type Activities**

For the Town's business-type activities, assets exceeded liabilities and deferred inflows of resources by \$9.5 million at the close of year 2014.

	2014 Business-type Activities	2013 Business-type Activities
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Current assets.....	\$ 4,412,564	\$ 5,128,956
Capital assets.....	13,364,657	13,084,668
<b>Total assets.....</b>	<b>17,777,221</b>	<b>18,213,624</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	457,349	500,360
Noncurrent liabilities (excluding debt).....	378,000	358,000
Current debt.....	1,210,088	2,210,486
Noncurrent debt.....	6,240,509	5,725,556
<b>Total liabilities.....</b>	<b>8,285,946</b>	<b>8,794,402</b>
<b>Net Position:</b>		
Net investment in capital assets.....	5,914,060	5,806,728
Unrestricted.....	3,577,215	3,612,494
<b>Total net position.....</b>	<b>\$ 9,491,275</b>	<b>\$ 9,419,222</b>

Business-type net position of \$5.9 million (62%) represents the net investment in capital assets. Unrestricted business-type net position totaled \$3.6 million (38%).

	2014 Business-type Activities	2013 Business-type Activities
	<u>                    </u>	<u>                    </u>
<b>Program revenues:</b>		
Charges for services.....	\$ 4,766,584	\$ 4,640,466
Operating grants and contributions.....	598,447	605,699
<b>General revenues:</b>		
Unrestricted investment income.....	142	309
<b>Total revenues.....</b>	<b>5,365,173</b>	<b>5,246,474</b>
<b>Expenses:</b>		
Water.....	2,721,826	2,637,436
Recreation.....	1,580,321	1,607,102
Brook school apartments.....	891,597	878,994
<b>Total expenses.....</b>	<b>5,193,744</b>	<b>5,123,532</b>
<b>Excess (deficiency) before contributions and transfers.....</b>	<b>171,429</b>	<b>122,942</b>
<b>Capital contributions.....</b>	<b>-</b>	<b>1,375,000</b>
<b>Transfers.....</b>	<b>(99,376)</b>	<b>388,819</b>
<b>Change in net position.....</b>	<b>72,053</b>	<b>1,886,761</b>
<b>Net position, beginning of year.....</b>	<b>9,419,222</b>	<b>7,532,461</b>
<b>Net position, end of year.....</b>	<b>\$ 9,491,275</b>	<b>\$ 9,419,222</b>

The Town's business-type activities include water, recreation, and the brook school apartments.

The water enterprise fund's net position of 2.6 million (53%) represents the net investment in capital assets while \$2.3 million (47%) is unrestricted. Net position increased by \$146,000 primarily due to principal payments on long term debt exceeding depreciation expense by \$184,000.

The recreation enterprise fund's net position of \$573,000 (73%) represents the net investment in capital assets while \$212,000 (27%) is unrestricted. Net position decreased by \$15,000 after a general fund budgeted subsidy of \$463,000.

The brook school apartment enterprise fund's net position of \$2.7 million (73%) represents the net investment in capital assets while \$1 million (27%) is unrestricted. Net position decreased by \$60,000 primarily due to the planned use of reserves to balance the current year operating budget.

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$51.1 million, a decrease of \$9.9 million from the prior year.

The general fund is the Town's chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$9.8 million, while \$2.2 million is committed for future Town articles and \$2.9 million has been assigned for encumbrances and continuing appropriations. The balance of the general fund decreased by \$222,000 during the current year. This decrease is primarily due to \$4 million of positive budgetary results, offset by the planned use of \$3.6 million of free cash and other reserves, as well as a \$797,000 decrease in carryforwards over the prior year. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11% of total general fund expenditures, while total fund balance represents 17% of that same amount.

The community preservation fund balance reported an increase of \$1.1 million during the current year. This increase is attributable to timing difference between the receipt and use of community preservation funds.

The case estate fund reported an ending fund balance of \$6.7 million as of year-end, a \$956,000 decrease over the prior year. This decrease is a result of the Town incurring costs related the purchasing of the property from Harvard University.

The field school fund reported a decrease of \$10.3 million. This decrease is attributable to the receipt of MSBA capital grant proceeds as well as proceeds received from the permanent financing of construction costs; offset by construction costs incurrent in the current year.

Nonmajor governmental funds reported an increase of \$552,000 which was primarily attributable to the timing difference between the expenditure and receipt of grant funds.

## ***General Fund Budgetary Highlights***

The Town has adopted a budget for the General Fund. Actual revenues exceeded budgeted amounts by \$2.3 million. Unexpended appropriations totaled \$4.5 million of which \$2.8 million was carried forward to 2014. At the May Special Town Meeting \$417,000 of supplemental appropriations were approved to fund snow and ice removal costs.

## ***Capital Asset and Debt Administration***

During the current year the Town expended \$26.4 million on governmental activities capital assets consisting mainly of \$19.8 million of construction costs for the field school, as well as \$1.2 million for various roadway improvement projects, \$940,000 related to the case estates, \$594,000 for a new Fire pumper truck, and \$497,000 related to Hobbs pond dam reconstruction. Business-type activities expended \$759,000 for capital assets. Of this amount \$472,000 was expended for various water infrastructure improvements, and \$287,000 was expended for the completion of building improvements at the brook school apartments.

In order to take advantage of favorable interest rates the Town refunded \$17,160,000 of general obligation bonds by issuing \$14,920,000 of general obligation refunding bonds, receiving a \$2,197,523 premium and using a Town cash contribution of \$42,477 on February 4, 2014. The Town has decreased its aggregate debt service by \$1,972,214 and resulted in an economic gain of \$1,779,917.

Outstanding long-term debt for governmental activities, as of June 30, 2014, totaled \$64.5 million, of which \$40.4 million relates to school projects, \$11.6 million relates to various public works projects, \$8.1 million for the case estate, and \$4.3 million for other CIP related projects.

Outstanding long-term debt for enterprise activities, as of June 30, 2014, totaled \$6.9 million, of which \$3.6 million relates to water enterprise activities, and \$3.3 million relates to brook school apartment activities.

Please refer to the notes to the basic financial statements for further discussion of the capital asset and debt activity.

## ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Weston'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 Finance Director, Town of Weston, Massachusetts, 11 Town House Road Weston, Massachusetts 02493.

# ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2014

	<b>Primary Government</b>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 59,675,782	\$ 2,468,805	\$ 62,144,587
Investments.....	13,264,912	-	13,264,912
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,108,121	-	1,108,121
Tax liens.....	375,556	-	375,556
Motor vehicle and other excise taxes.....	159,684	-	159,684
User fees.....	-	1,899,427	1,899,427
Departmental and other.....	159,322	-	159,322
Intergovernmental.....	1,815,941	44,332	1,860,273
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	3,358,887	-	3,358,887
Capital Assets:			
Nondepreciable.....	50,876,087	128,482	51,004,569
Depreciable.....	111,107,363	13,236,175	124,343,538
<b>TOTAL ASSETS.....</b>	<b>241,901,655</b>	<b>17,777,221</b>	<b>259,678,876</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunded debt.....	417,233	-	417,233
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	3,597,870	171,234	3,769,104
Accrued payroll.....	3,158,901	50,562	3,209,463
Accrued interest.....	726,818	71,998	798,816
Other liabilities.....	125,963	-	125,963
Customer deposits payable.....	-	50,555	50,555
Landfill closure.....	25,000	-	25,000
Compensated absences.....	1,224,000	113,000	1,337,000
Notes payable.....	16,028,698	353,000	16,381,698
Bonds payable.....	6,424,906	857,088	7,281,994
<b>NONCURRENT:</b>			
Landfill closure.....	125,000	-	125,000
Compensated absences.....	884,000	84,000	968,000
Other postemployment benefits.....	15,210,000	294,000	15,504,000
Bonds payable.....	60,540,844	6,240,509	66,781,353
<b>TOTAL LIABILITIES.....</b>	<b>108,072,000</b>	<b>8,285,946</b>	<b>116,357,946</b>
<b>NET POSITION</b>			
Net investment in capital assets.....	96,671,210	5,914,060	102,585,270
Permanent funds:			
Expendable.....	10,132,983	-	10,132,983
Nonexpendable.....	5,350,481	-	5,350,481
Gifts and grants.....	2,599,450	-	2,599,450
Unrestricted.....	19,492,764	3,577,215	23,069,979
<b>TOTAL NET POSITION.....</b>	<b>\$ 134,246,888</b>	<b>\$ 9,491,275</b>	<b>\$ 143,738,163</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 3,038,407	\$ 1,504,998	\$ 17,477	\$ 292,614	\$ (1,223,318)
Facilities town-wide.....	1,203,888	-	-	-	(1,203,888)
Finance.....	1,032,813	-	-	-	(1,032,813)
Planning, land use & inspectional services.....	970,442	-	-	-	(970,442)
Public safety.....	8,830,299	799,446	19,670	-	(8,011,183)
Education.....	64,220,888	1,935,198	12,008,935	4,501,913	(45,774,842)
Public works.....	5,256,920	466,346	52,309	577,353	(4,160,912)
Health & human services.....	1,034,404	159,667	126,188	-	(748,549)
Public library.....	1,883,970	83,561	146,286	-	(1,654,123)
Community preservation.....	105,974	-	-	967,622	861,648
Interest.....	2,272,627	-	119,120	-	(2,153,507)
<b>Total Governmental Activities.....</b>	<b>89,850,632</b>	<b>4,949,216</b>	<b>12,489,985</b>	<b>6,339,502</b>	<b>(66,071,929)</b>
<i>Business-Type Activities:</i>					
Water.....	2,721,826	3,079,005	-	-	357,179
Recreation.....	1,580,321	1,058,200	44,421	-	(477,700)
Brook school apartments.....	891,597	629,379	554,026	-	291,808
<b>Total Business-Type Activities.....</b>	<b>5,193,744</b>	<b>4,766,584</b>	<b>598,447</b>	<b>-</b>	<b>171,287</b>
<b>Total Primary Government.....</b>	<b>\$ 95,044,376</b>	<b>\$ 9,715,800</b>	<b>\$ 13,088,432</b>	<b>\$ 6,339,502</b>	<b>\$ (65,900,642)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ (66,071,929)	\$ 171,287	\$ (65,900,642)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	67,900,551	-	67,900,551
Community preservation fund surtax.....	1,864,047	-	1,864,047
Motor vehicle and other excise taxes.....	2,744,140	-	2,744,140
Penalties and interest on taxes.....	211,297	-	211,297
Payments in lieu of taxes.....	34,168	-	34,168
Grants and contributions not restricted to specific programs.....	646,688	-	646,688
Unrestricted investment income.....	1,799,591	142	1,799,733
<i>Transfers, net</i> .....	99,376	(99,376)	-
Total general revenues.....	<u>75,299,858</u>	<u>(99,234)</u>	<u>75,200,624</u>
Change in net position.....	9,227,929	72,053	9,299,982
<i>Net Position:</i>			
Beginning of year.....	<u>125,018,959</u>	<u>9,419,222</u>	<u>134,438,181</u>
End of year.....	\$ <u><u>134,246,888</u></u>	\$ <u><u>9,491,275</u></u>	\$ <u><u>143,738,163</u></u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2014

<b>ASSETS</b>	General	Community Preservation Fund	Case Estate Fund	Field School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 17,449,095	\$ 19,792,389	\$ 8,491,374	\$ 4,188,643	\$ 9,754,281	\$ 59,675,782
Investments.....	1,123,721	-	-	-	12,141,191	13,264,912
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	1,094,353	13,768	-	-	-	1,108,121
Tax liens.....	366,460	9,096	-	-	-	375,556
Motor vehicle and other excise taxes.....	159,684	-	-	-	-	159,684
Departmental and other.....	159,322	-	-	-	-	159,322
Intergovernmental.....	3,996,644	418,000	-	299,174	461,010	5,174,828
<b>TOTAL ASSETS.....</b>	<b>\$ 24,349,279</b>	<b>\$ 20,233,253</b>	<b>\$ 8,491,374</b>	<b>\$ 4,487,817</b>	<b>\$ 22,356,482</b>	<b>\$ 79,918,205</b>
<b>LIABILITIES:</b>						
Warrants payable.....	\$ 545,044	\$ 318,717	\$ 283,508	\$ 2,274,038	\$ 176,563	\$ 3,597,870
Accrued payroll.....	3,087,973	625	-	-	70,303	3,158,901
Other liabilities.....	125,963	-	-	-	-	125,963
Notes payable.....	-	-	1,544,000	12,189,698	2,295,000	16,028,698
<b>TOTAL LIABILITIES.....</b>	<b>3,758,980</b>	<b>319,342</b>	<b>1,827,508</b>	<b>14,463,736</b>	<b>2,541,866</b>	<b>22,911,432</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues.....	5,760,360	22,862	-	-	167,473	5,950,695
<b>FUND BALANCES:</b>						
Nonspendable.....	-	-	-	-	5,350,481	5,350,481
Restricted.....	-	19,891,049	6,663,866	-	14,296,662	40,851,577
Committed.....	2,182,713	-	-	-	-	2,182,713
Assigned.....	2,884,187	-	-	-	-	2,884,187
Unassigned.....	9,763,039	-	-	(9,975,919)	-	(212,880)
<b>TOTAL FUND BALANCES.....</b>	<b>14,829,939</b>	<b>19,891,049</b>	<b>6,663,866</b>	<b>(9,975,919)</b>	<b>19,647,143</b>	<b>51,056,078</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES.....</b>	<b>\$ 24,349,279</b>	<b>\$ 20,233,253</b>	<b>\$ 8,491,374</b>	<b>\$ 4,487,817</b>	<b>\$ 22,356,482</b>	<b>\$ 79,918,205</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2014

Total governmental fund balances.....	\$	51,056,078
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		161,983,450
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		5,950,695
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(726,818)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(64,504,000)	
Unamortized premium.....	(2,461,750)	
Unamortized deferred loss on refunding.....	417,233	
Landfill closure.....	(150,000)	
Compensated absences.....	(2,108,000)	
Other postemployment benefits.....	<u>(15,210,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(84,016,517)</u>
Net position of governmental activities.....	\$	<u><u>134,246,888</u></u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2014

	General	Community Preservation	Case Estate Fund	Field School Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds.....	\$ 67,715,993	\$ 1,867,352	\$ -	\$ -	\$ -	\$ 69,583,345
Tax liens.....	283,797	-	-	-	-	283,797
Motor vehicle and other excise taxes.....	2,808,327	-	-	-	-	2,808,327
Charges for services.....	354,262	-	-	-	728,518	1,082,780
Penalties and interest on taxes.....	206,604	4,693	-	-	-	211,297
Fees and rentals.....	362,484	-	-	-	-	362,484
Payments in lieu of taxes.....	34,168	-	-	-	-	34,168
Licenses and permits.....	1,483,611	-	-	-	-	1,483,611
Fines and forfeitures.....	118,766	-	-	-	-	118,766
Intergovernmental.....	10,640,297	967,622	-	4,490,250	4,274,746	20,372,915
Departmental and other.....	575,251	-	-	-	248,418	823,669
Contributions.....	-	-	-	-	704,172	704,172
Investment income.....	116,672	63,366	-	-	1,619,553	1,799,591
<b>TOTAL REVENUES.....</b>	<b>84,700,232</b>	<b>2,903,033</b>	<b>-</b>	<b>4,490,250</b>	<b>7,575,407</b>	<b>99,668,922</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government.....	1,737,551	-	-	-	9,306	1,746,857
Facilities town-wide.....	1,390,980	-	-	-	-	1,390,980
Finance.....	752,895	-	-	-	-	752,895
Planning, land use & inspectional services.....	727,189	-	956,342	-	-	1,683,531
Public safety.....	6,749,764	-	-	-	850,100	7,599,864
Education.....	35,755,382	-	-	19,836,016	4,938,434	60,529,832
Public works.....	5,035,261	-	-	-	664,809	5,700,070
Health & human services.....	671,228	-	-	-	94,066	765,294
Public library.....	1,194,407	-	-	-	151,176	1,345,583
Community preservation.....	-	1,544,994	-	-	-	1,544,994
Insurance.....	539,263	-	-	-	-	539,263
Employee benefits.....	21,909,187	-	-	-	-	21,909,187
State and county charges.....	273,573	-	-	-	-	273,573
<b>Debt service:</b>						
Principal.....	6,297,848	300,000	-	-	-	6,597,848
Interest.....	2,141,450	154,983	-	-	-	2,296,433
<b>TOTAL EXPENDITURES.....</b>	<b>85,175,978</b>	<b>1,999,977</b>	<b>956,342</b>	<b>19,836,016</b>	<b>6,707,891</b>	<b>114,676,204</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(475,746)</b>	<b>903,056</b>	<b>(956,342)</b>	<b>(15,345,766)</b>	<b>867,516</b>	<b>(15,007,282)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from bonds and notes.....	-	-	-	5,000,000	-	5,000,000
Proceeds from refunding bonds.....	13,580,000	-	-	-	-	13,580,000
Premium from issuance of bonds and notes.....	239,970	7,446	-	-	-	247,416
Premium from issuance of refunding bonds.....	1,857,482	-	-	-	-	1,857,482
Payments for current refunded bonds.....	(15,640,443)	-	-	-	-	(15,640,443)
Transfers in.....	932,501	513,312	-	-	-	1,445,813
Transfers out.....	(715,724)	(314,713)	-	-	(316,000)	(1,346,437)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>253,786</b>	<b>206,045</b>	<b>-</b>	<b>5,000,000</b>	<b>(316,000)</b>	<b>5,143,831</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(221,960)</b>	<b>1,109,101</b>	<b>(956,342)</b>	<b>(10,345,766)</b>	<b>551,516</b>	<b>(9,863,451)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>15,051,899</b>	<b>18,781,948</b>	<b>7,620,208</b>	<b>369,847</b>	<b>19,095,627</b>	<b>60,919,529</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 14,829,939</b>	<b>\$ 19,891,049</b>	<b>\$ 6,663,866</b>	<b>\$ (9,975,919)</b>	<b>\$ 19,647,143</b>	<b>\$ 51,056,078</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....		\$	(9,863,451)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>			
Capital outlay.....	26,449,042		
Depreciation expense.....	<u>(5,855,124)</u>		
Net effect of reporting capital assets.....			20,593,918
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>			
			(689,736)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>			
Proceeds from bonds.....	(5,000,000)		
Proceeds from refunding bonds.....	(13,580,000)		
Debt service principal payments.....	6,597,848		
Payments for current refunded bonds.....	15,640,443		
Amortization of premium.....	16,141		
Premium from issuance of refunding bonds, net of issue costs.....	(2,256,131)		
Deferred loss on current refunding.....	151,233		
Amortization of deferred loss on refunding.....	<u>(75,000)</u>		
Net effect of reporting long-term debt.....			1,494,534
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>			
Net change in accrued interest on long-term debt.....	82,664		
Net change in accrued landfill liability.....	25,000		
Net change in compensated absences accrual.....	101,000		
Net change in other postemployment benefit liability.....	<u>(2,516,000)</u>		
Net effect of recording long-term liabilities.....			<u>(2,307,336)</u>
Change in net position of governmental activities.....		\$	<u><u>9,227,929</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-type Activities - Enterprise Funds			
	Water	Recreation	Brook School Apartments	Total
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 718,321	\$ 658,165	\$ 1,092,319	\$ 2,468,805
Receivables, net of allowance for uncollectibles:				
User fees.....	1,899,427	-	-	1,899,427
Intergovernmental.....	-	-	44,332	44,332
Total current assets.....	<u>2,617,748</u>	<u>658,165</u>	<u>1,136,651</u>	<u>4,412,564</u>
<b>NONCURRENT:</b>				
Capital assets, net of accumulated depreciation.....				
Nondepreciable.....	128,482	-	-	128,482
Depreciable.....	<u>6,505,688</u>	<u>573,545</u>	<u>6,156,942</u>	<u>13,236,175</u>
Total noncurrent assets.....	<u>6,634,170</u>	<u>573,545</u>	<u>6,156,942</u>	<u>13,364,657</u>
<b>TOTAL ASSETS.....</b>	<u><u>9,251,918</u></u>	<u><u>1,231,710</u></u>	<u><u>7,293,593</u></u>	<u><u>17,777,221</u></u>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	128,349	27,578	15,307	171,234
Accrued payroll.....	5,952	40,795	3,815	50,562
Accrued interest.....	49,721	-	22,277	71,998
Customer deposits payable.....	-	-	50,555	50,555
Compensated absences.....	22,000	81,000	10,000	113,000
Notes payable.....	353,000	-	-	353,000
Bonds payable.....	<u>385,600</u>	<u>-</u>	<u>471,488</u>	<u>857,088</u>
Total current liabilities.....	<u>944,622</u>	<u>149,373</u>	<u>573,442</u>	<u>1,667,437</u>
<b>NONCURRENT:</b>				
Compensated absences.....	35,000	49,000	-	84,000
Other postemployment benefits.....	31,000	248,000	15,000	294,000
Bonds payable.....	<u>3,259,400</u>	<u>-</u>	<u>2,981,109</u>	<u>6,240,509</u>
Total noncurrent liabilities.....	<u>3,325,400</u>	<u>297,000</u>	<u>2,996,109</u>	<u>6,618,509</u>
<b>TOTAL LIABILITIES.....</b>	<u><u>4,270,022</u></u>	<u><u>446,373</u></u>	<u><u>3,569,551</u></u>	<u><u>8,285,946</u></u>
<b>NET POSITION</b>				
Net investment in capital assets.....	2,636,170	573,545	2,704,345	5,914,060
Unrestricted.....	<u>2,345,726</u>	<u>211,792</u>	<u>1,019,697</u>	<u>3,577,215</u>
<b>TOTAL NET POSITION.....</b>	<u><u>\$ 4,981,896</u></u>	<u><u>\$ 785,337</u></u>	<u><u>\$ 3,724,042</u></u>	<u><u>\$ 9,491,275</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**YEAR ENDED JUNE 30, 2014**

	Business-type Activities - Enterprise Funds			
	Water	Recreation	Brook School Apartments	Total
<b>OPERATING REVENUES:</b>				
Charges for services .....	\$ 3,079,005	\$ 1,058,200	\$ 629,379	\$ 4,766,584
Intergovernmental.....	-	4,250	554,026	558,276
Contributions.....	-	40,171	-	40,171
<b>TOTAL OPERATING REVENUES .....</b>	<b>3,079,005</b>	<b>1,102,621</b>	<b>1,183,405</b>	<b>5,365,031</b>
<b>OPERATING EXPENSES:</b>				
Cost of services and administration .....	2,355,259	1,540,686	589,358	4,485,303
Depreciation.....	247,249	39,635	192,054	478,938
<b>TOTAL OPERATING EXPENSES .....</b>	<b>2,602,508</b>	<b>1,580,321</b>	<b>781,412</b>	<b>4,964,241</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>476,497</b>	<b>(477,700)</b>	<b>401,993</b>	<b>400,790</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income.....	56	-	86	142
Interest expense.....	(119,318)	-	(110,185)	(229,503)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(119,262)</b>	<b>-</b>	<b>(110,099)</b>	<b>(229,361)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>357,235</b>	<b>(477,700)</b>	<b>291,894</b>	<b>171,429</b>
<b>TRANSFERS:</b>				
Transfers in.....	250,043	463,162	317,232	1,030,437
Transfers out.....	(460,825)	-	(668,988)	(1,129,813)
<b>TOTAL TRANSFERS.....</b>	<b>(210,782)</b>	<b>463,162</b>	<b>(351,756)</b>	<b>(99,376)</b>
<b>CHANGE IN NET POSITION.....</b>	<b>146,453</b>	<b>(14,538)</b>	<b>(59,862)</b>	<b>72,053</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>4,835,443</b>	<b>799,875</b>	<b>3,783,904</b>	<b>9,419,222</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 4,981,896</b>	<b>\$ 785,337</b>	<b>\$ 3,724,042</b>	<b>\$ 9,491,275</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds			
	Water	Recreation	Brook School Apartments	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users.....	\$ 3,002,475	\$ 1,098,371	\$ 626,899	\$ 4,727,745
Receipts from other governments.....	-	4,250	555,272	559,522
Payments to vendors.....	(1,966,085)	(562,878)	(437,550)	(2,966,513)
Payments to employees.....	(285,658)	(928,010)	(169,010)	(1,382,678)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>750,732</b>	<b>(388,267)</b>	<b>575,611</b>	<b>938,076</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in.....	250,043	463,162	317,232	1,030,437
Transfers out.....	(460,825)	-	(668,988)	(1,129,813)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(210,782)</b>	<b>463,162</b>	<b>(351,756)</b>	<b>(99,376)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from the issuance of bonds and notes.....	706,000	-	1,375,000	2,081,000
Proceeds from the issuance of refunding bonds and notes.....	141,000	-	1,199,000	1,340,000
Premium on bonds.....	-	-	176,597	176,597
Acquisition and construction of capital assets.....	(471,965)	-	(435,609)	(907,574)
Principal payments on bonds and notes.....	(934,042)	-	(3,149,000)	(4,083,042)
Interest expense.....	(124,569)	-	(112,930)	(237,499)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(683,576)</b>	<b>-</b>	<b>(946,942)</b>	<b>(1,630,518)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income.....	56	-	86	142
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(143,570)</b>	<b>74,895</b>	<b>(723,001)</b>	<b>(791,676)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>861,891</b>	<b>583,270</b>	<b>1,815,320</b>	<b>3,260,481</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 718,321</b>	<b>\$ 658,165</b>	<b>\$ 1,092,319</b>	<b>\$ 2,468,805</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Operating income (loss).....	\$ 476,497	\$ (477,700)	\$ 401,993	\$ 400,790
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	247,249	39,635	192,054	478,938
Changes in assets and liabilities:				
User fees.....	(76,530)	-	-	(76,530)
Intergovernmental.....	-	-	1,246	1,246
Warrants payable.....	117,850	(1,680)	(14,916)	101,254
Accrued payroll.....	(334)	3,478	1,714	4,858
Customer deposits payable and other liabilities.....	-	-	(2,480)	(2,480)
Compensated absences.....	6,000	5,000	1,000	12,000
Other postemployment benefits.....	(20,000)	43,000	(5,000)	18,000
<b>Total adjustments.....</b>	<b>274,235</b>	<b>89,433</b>	<b>173,618</b>	<b>537,286</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 750,732</b>	<b>\$ (388,267)</b>	<b>\$ 575,611</b>	<b>\$ 938,076</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Other Postemployment Benefit Fund	Agency Funds
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 15,431	\$ 1,245,784
Investments.....	7,610,494	-
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	-	24,540
<b>TOTAL ASSETS</b> .....	<u>7,625,925</u>	<u>1,270,324</u>
<b>LIABILITIES</b>		
Warrants payable.....	-	7,634
Accrued liabilities.....	-	20,891
Liabilities due depositors.....	-	1,115,651
Other liabilities.....	-	126,148
<b>TOTAL LIABILITIES</b> .....	<u>-</u>	<u>1,270,324</u>
<b>NET POSITION</b>		
Held in trust for OPEB benefits and other purposes.....	\$ <u>7,625,925</u>	\$ <u>-</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

	<u>Other Postemployment Benefit Fund</u>
<b>ADDITIONS:</b>	
Contributions:	
Employer.....	\$ 1,631,367
Net investment income (loss):	
Investment income.....	<u>808,186</u>
TOTAL ADDITIONS.....	<u>2,439,553</u>
CHANGE IN NET POSITION.....	2,439,553
NET POSITION AT BEGINNING OF YEAR.....	<u>5,186,372</u>
NET POSITION AT END OF YEAR.....	<u>\$ 7,625,925</u>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Weston, Massachusetts (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 of Weston is a municipal corporation that is governed by an elected Board of Selectmen.

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

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that require inclusion in the basic financial statements.

**B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) 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.

*Fund Financial Statements*

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

*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 or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

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

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

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

#### *Fund Financial Statements*

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

Real estate, personal property tax, motor vehicle taxes and other revenues are considered available when the cash is received and are recognized as revenue at that time. Investment income is susceptible to accrual.

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

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *Community Preservation Fund* accounts for activity associated with the Town's resources from the Community Preservation Act.

The *Case Estate Fund* accounts for activity associated with the purchase of the Case Estate.

The *Field School Fund* accounts for activity associated with the construction of the new School Fields.

The nonmajor governmental funds consist of other special revenue and permanent funds that are aggregated and presented in the *Nonmajor Governmental Funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

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

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

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

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the Town's water activities.

The *recreation enterprise fund* is used to account for the Town's recreation activities.

The *brook school apartment enterprise fund* is used to account for the Town's brook school apartment activities.

**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 governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist primarily of performance bonds, bid deposits, and student activities. Agency funds do not present the results of operations or have a measurement focus.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

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

##### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on, November 1<sup>st</sup>, February 1<sup>st</sup>, May 1<sup>st</sup>, and August 1<sup>st</sup>, and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

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

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

##### ***Motor Vehicle Excise Taxes***

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

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

##### ***User Fees***

User fees are levied semi-annually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed once a year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy and are recorded under the modified accrual basis of accounting.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**Departmental and Other**

Departmental and other receivables consist primarily of amounts from ambulance receivables and are recorded as receivables in the year accrued.

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

**Intergovernmental**

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded 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.

F. Inventories

*Government-Wide and Fund Financial Statements*

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings, building improvements, equipment, vehicles and infrastructure (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, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, when actual historical cost could not be determined. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$20,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis, in accordance with Massachusetts General Laws (MGL). The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	20-40
Machinery, equipment, and furnishings.....	5-10
Infrastructure.....	50-75

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.

*Governmental Fund Financial Statements*

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

H. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. As of June 30, 2014, the Town reported \$417,000 of deferred loss on refunded debt in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. As of June 30, 2014, the Town did not report deferred inflows.

*Governmental Fund Financial Statements*

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. Unavailable revenue at the governmental fund financial statement level represents non-exchange revenues received in advance or outstanding receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

I. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

J. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

K. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net Position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not factored into the calculation of the net investment of capital assets.

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been "restricted for" the following:

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings that support governmental programs.

"Permanent funds - nonexpendable" represents the endowment portion of donor restricted trusts that support governmental programs.

"Gifts and grants" represents restrictions placed on assets from outside parties, and consist primarily of gifts and federal and state grants.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town’s by-laws authorize the Town Accountant to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

#### L. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

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

##### *Governmental Fund Financial Statements*

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

#### M. Investment Income

Excluding the permanent funds, investment income derived from special revenue and capital project funds is legally assigned to the general fund unless otherwise directed by MGL.

#### N. Compensated Absences

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

##### *Government-Wide and Proprietary Fund Financial Statements*

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

##### *Governmental Fund Financial Statements*

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

#### O. Use of Estimates

##### *Government-Wide and Fund Financial Statements*

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

#### P. Total Column

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

### **NOTE 2 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Weston’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$57,586,478 and the bank balance totaled \$58,394,816. Of the bank balance, \$8,436,376 was covered by Federal Depository Insurance, \$21,438,156 was covered by the Depositors Insurance Fund, \$767,740 was covered by Share Insurance Fund, \$21,156,667 was collateralized and \$6,595,877 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Town of Weston had the following investments, including cash equivalents classified as investments, at June 30, 2014:

Investment Type	Fair Value	Maturity		
		1-5 Years	6-10 Years	Over 10 Years
<u>Debt Securities:</u>				
United States Treasuries.....	\$ 3,327,336	\$ 3,158,225	\$ 169,111	\$ -
Federal National Mortgage Association.....	249,974	-	65,592	184,382
Federal Home Loan Mortgage Corporation.....	156,768	-	-	156,768
Government National Mortgage Association....	716,978	-	147,646	569,332
Total Debt Securities.....	4,451,056	\$ <u>3,158,225</u>	\$ <u>382,349</u>	\$ <u>910,482</u>
<u>Other Investments</u>				
Equity Securities.....	8,813,856			
MMDT.....	3,507,677			
Repurchase Agreement.....	343,442			
Mutual funds.....	7,610,494			
Money Market Mutual Funds.....	1,968,205			
Total Investments.....	\$ <u>26,694,730</u>			

The OPEB fiduciary fund’s \$7,610,494 in investments is included in the mutual funds listed above.

Custodial Credit Risk – Town Investments

For an investment, this is the risk that, in the event of a failure by 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 investments, \$3,327,336 in U.S. Treasury Securities, \$249,974 in Federal National Mortgage Association, \$156,768 is Federal Home Loan Mortgage Corporation, \$716,978 in Government National Mortgage Association, and \$8,813,856 in equity securities the Town has custodial credit risk exposure of \$13,264,912 because the related securities are uninsured, unregistered and held by the counterparty.

As of June 30, 2014, the Town had an investment with a fair market value of \$343,442 in an overnight Repurchase Agreement (REPO). Under the terms of the REPO, the bank agrees to sell and buy back a portion of the Bank’s securities portfolio at the purchase price plus interest. The REPO is held by the bank, acting as the Town’s agent. In the event of default, the Town has the right to direct the bank to sell the securities and apply the proceeds in satisfaction of the Repurchase Agreement. The REPO is fully collateralized with Collateralized Debt Securities issued by the U.S. Government and U.S. Government Sponsored Enterprises. The REPO is not rated, and the collateral has a Standard & Poors rating of AA+.

Interest Rate Risk – Town Investments

The Town’s investment policy limits investment maturities of general operating funds to one year as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately three months.

Credit Risk – Town Investments

The Town has not adopted a formal policy related to credit risk. At June 30, 2014 the Town’s debt securities were rated as follows:

<u>Quality Ratings</u>	<u>United States Treasury</u>	<u>Federal National Mortgage Association</u>	<u>Federal Home Loan Mortgage Corporation</u>	<u>Government National Mortgage Association</u>	<u>Totals</u>
AAA.....	\$ 3,327,336	\$ -	-	-	\$ 3,327,336
AA+.....	-	249,974	156,768	716,978	1,123,720
Fair Value.....	<u>\$ 3,327,336</u>	<u>\$ 249,974</u>	<u>156,768</u>	<u>\$ 716,978</u>	<u>\$ 4,451,056</u>

**NOTE 3 – RECEIVABLES**

At June 30, 2014, receivables for the individual major governmental funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 1,108,121	\$ -	\$ 1,108,121
Tax liens.....	375,556	-	375,556
Motor vehicle and other excise taxes.....	190,684	(31,000)	159,684
Departmental and other.....	209,322	(50,000)	159,322
Intergovernmental.....	5,174,828	-	5,174,828
Total.....	\$ 7,058,511	\$ (81,000)	\$ 6,977,511

At June 30, 2014, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 1,899,427	\$ -	\$ 1,899,427
Intergovernmental.....	44,332	-	44,332
Total.....	\$ 1,943,759	\$ -	\$ 1,943,759

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes....	\$ 1,094,354	\$ 13,767	\$ 1,108,121
Tax liens .....	366,461	9,095	375,556
Motor vehicle and other excise taxes.....	159,684	-	159,684
Intergovernmental.....	3,980,539	167,473	4,148,012
Departmental and other.....	159,322	-	159,322
Total.....	\$ 5,760,360	\$ 190,335	\$ 5,950,695

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Art.....	\$ 187,500	\$ -	\$ -	\$ 187,500
Land.....	18,745,539	540,627	-	19,286,166
Construction in progress.....	35,219,951	22,544,554	(26,362,084)	31,402,421
Total capital assets not being depreciated.....	54,152,990	23,085,181	(26,362,084)	50,876,087
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	113,743,823	25,543,400	-	139,287,223
Machinery, equipment, and furnishings.....	14,311,418	1,612,868	-	15,924,286
Infrastructure.....	16,378,207	2,569,677	-	18,947,884
Total capital assets being depreciated.....	144,433,448	29,725,945	-	174,159,393
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(40,319,013)	(3,845,894)	-	(44,164,907)
Machinery, equipment, and furnishings.....	(9,456,952)	(1,423,038)	-	(10,879,990)
Infrastructure.....	(7,420,941)	(586,192)	-	(8,007,133)
Total accumulated depreciation.....	(57,196,906)	(5,855,124)	-	(63,052,030)
Total capital assets being depreciated, net.....	87,236,542	23,870,821	-	111,107,363
Total governmental activities capital assets, net.....	\$ 141,389,532	\$ 46,956,002	\$ (26,362,084)	\$ 161,983,450
<b>Water Enterprise Fund:</b>				
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 3,200,102	\$ 88,065	\$ (3,159,685)	\$ 128,482
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	1,415,007	2,734,060	-	4,149,067
Machinery, equipment, and furnishings.....	169,700	9,069	-	178,769
Infrastructure.....	8,093,595	800,456	-	8,894,051
Total capital assets being depreciated.....	9,678,302	3,543,585	-	13,221,887
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(899,339)	(77,381)	-	(976,720)
Machinery, equipment, and furnishings.....	(169,700)	(899)	-	(170,599)
Infrastructure.....	(5,399,911)	(168,969)	-	(5,568,880)
Total accumulated depreciation.....	(6,468,950)	(247,249)	-	(6,716,199)
Total capital assets being depreciated, net.....	3,209,352	3,296,336	-	6,505,688
Total water enterprise fund capital assets, net.....	\$ 6,409,454	\$ 3,384,401	\$ (3,159,685)	\$ 6,634,170

<b>Recreation Enterprise Fund:</b>	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 1,118,835	\$ -	\$ -	\$ 1,118,835
Machinery, equipment, and furnishings.....	434,001	-	-	434,001
Total capital assets being depreciated.....	<u>1,552,836</u>	<u>-</u>	<u>-</u>	<u>1,552,836</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(544,497)	(22,912)	-	(567,409)
Machinery, equipment, and furnishings.....	<u>(395,159)</u>	<u>(16,723)</u>	<u>-</u>	<u>(411,882)</u>
Total accumulated depreciation.....	<u>(939,656)</u>	<u>(39,635)</u>	<u>-</u>	<u>(979,291)</u>
Total recreation enterprise fund capital assets, net.....	<u>\$ 613,180</u>	<u>\$ (39,635)</u>	<u>\$ -</u>	<u>\$ 573,545</u>
<b>Brook School Apartment Enterprise Fund:</b>	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 2,089,112	\$ -	\$ (2,089,112)	\$ -
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	5,657,767	2,376,074	-	8,033,841
Machinery, equipment, and furnishings.....	60,000	-	-	60,000
Total capital assets being depreciated.....	<u>5,717,767</u>	<u>2,376,074</u>	<u>-</u>	<u>8,093,841</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(1,684,845)	(192,054)	-	(1,876,899)
Machinery, equipment, and furnishings.....	<u>(60,000)</u>	<u>-</u>	<u>-</u>	<u>(60,000)</u>
Total accumulated depreciation.....	<u>(1,744,845)</u>	<u>(192,054)</u>	<u>-</u>	<u>(1,936,899)</u>
Total capital assets being depreciated, net.....	<u>3,972,922</u>	<u>2,184,020</u>	<u>-</u>	<u>6,156,942</u>
Total brook school apartment enterprise fund capital assets, net.....	<u>\$ 6,062,034</u>	<u>\$ 2,184,020</u>	<u>\$ (2,089,112)</u>	<u>\$ 6,156,942</u>

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

<b>Governmental Activities:</b>	
General government.....	\$ 848,041
Public safety.....	463,808
Education.....	3,501,971
Public works.....	851,031
Health & human services.....	78,543
Public library.....	<u>111,730</u>
Total depreciation expense - governmental activities.....	\$ <u>5,855,124</u>
<b>Business-Type Activities:</b>	
Water.....	\$ 247,249
Recreation.....	39,635
Brook School Apartments.....	<u>192,054</u>
Total depreciation expense - business-type activities.....	\$ <u>478,938</u>

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers for the year ended June 30, 2014, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	Community Preservation Fund	Water Enterprise Fund	Recreation Enterprise Fund	Brook School Apartments Fund	
General Fund.....	\$ -	\$ -	\$ 250,043	\$ 463,162	\$ 2,519	\$ 715,724 (1)
Community Preservation.....	-	-	-	-	314,713	314,713 (1)
Nonmajor Governmental Funds.....	316,000	-	-	-	-	316,000 (2)
Water Enterprise Fund.....	460,825	-	-	-	-	460,825 (3)
Brook School Apartments Enterprise Fund.....	<u>155,676</u>	<u>513,312</u>	-	-	-	<u>668,988</u> (3)
Total.....	\$ <u>932,501</u>	\$ <u>513,312</u>	\$ <u>250,043</u>	\$ <u>463,162</u>	\$ <u>317,232</u>	\$ <u>2,476,250</u>

(1) Budgeted transfer from the general fund for merit pay compensation, as well as \$250,043 to the water enterprise fund for debt service, \$314,713 to the brook school apartments for debt service, and a \$463,162 subsidy to the recreation enterprise fund.

(2) Budgeted transfers to the general fund from cemetery perpetual care, well litigation, and the Josiah Smith tavern.

(3) Budgeted transfers to the general fund from the water, and brook school apartments enterprise funds for indirect costs. Also, transfers from the water and brook school apartments relating to proceeds from current refunded bonds, as well as a transfer from brook school apartments to community preservation for reimbursement of costs relating to bonded capital projects.

**NOTE 6 – SHORT-TERM FINANCING**

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2014 is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
<b>Governmental Activities:</b>							
BAN	Bond Anticipation Note.....	1.00	2/3/2014	\$ 5,450,000	\$ -	\$ 5,450,000	\$ -
BAN	Bond Anticipation Note.....	1.25	2/3/2014	-	11,454,000	11,454,000	-
BAN	Bond Anticipation Note.....	1.00	2/3/2015	-	16,028,698	-	16,028,698
Total Governmental Activities.....				<u>\$ 5,450,000</u>	<u>\$ 27,482,698</u>	<u>\$ 16,904,000</u>	<u>\$ 16,028,698</u>
<b>Business-Type Activities:</b>							
<b>Water Enterprise Fund:</b>							
BAN	Bond Anticipation Note.....	1.25	02/03/14	\$ -	\$ 353,000	\$ 353,000	\$ -
	Bond Anticipation Note.....	1.00	2/3/2015	-	353,000	-	353,000
Total Water Activities .....				<u>-</u>	<u>706,000</u>	<u>353,000</u>	<u>353,000</u>
<b>Brook School Apartment Enterprise Fund:</b>							
BAN	Bond Anticipation Note.....	1.00	02/03/14	1,375,000	-	1,375,000	-
Total Business-Type Activities.....				<u>\$ 1,375,000</u>	<u>\$ 706,000</u>	<u>\$ 1,728,000</u>	<u>\$ 353,000</u>

**NOTE 7 – LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

In order to take advantage of favorable interest rates the Town refunded \$17,160,000 of general obligation bonds by issuing \$14,920,000 of general obligation refunding bonds, receiving a \$2,197,523 premium and using a Town cash contribution of \$42,477 on February 4, 2014. The Town has decreased its aggregate debt service by \$1,972,214 and resulted in an economic gain of \$1,779,917.

Details related to the outstanding indebtedness at June 30, 2014 and the debt service requirements are shown as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Municipal Purpose Bonds of 2003.....	2018	\$ 5,500,000	2.00 - 3.60	\$ 1,825,000	\$ -	\$ 1,825,000	\$ -
Municipal Purpose Refunding Bonds of 2003.....	2014	2,782,870	1.25 - 3.00	206,176	-	206,176	-
Municipal Purpose Bonds of 2004.....	2024	5,000,000	2.80 - 4.50	2,750,000	-	2,750,000	-
Municipal Purpose Bonds of 2005.....	2025	2,700,000	3.00 - 4.13	1,333,000	-	168,000	1,165,000
Municipal Purpose Refunding Bonds of 2005.....	2020	8,799,721	2.00 - 5.00	5,642,782	-	5,642,782	-
Municipal Purpose Bonds of 2006.....	2026	11,637,557	3.30 - 6.25	7,475,000	-	7,475,000	-
Municipal Purpose Bonds of 2007.....	2027	6,840,000	3.50 - 4.00	4,605,000	-	370,000	4,235,000
Municipal Purpose Bonds of 2008.....	2016	2,906,000	3.00	582,000	-	195,000	387,000
Municipal Purpose Bonds of 2010.....	2026	4,666,569	2.64	2,794,000	-	450,000	2,344,000
Municipal Purpose Bonds of 2011.....	2030	18,792,271	2.00 - 5.00	15,644,000	-	1,486,000	14,158,000
Municipal Purpose Refunding Bonds of 2011.....	2021	2,761,000	2.00 - 2.50	2,095,000	-	325,000	1,770,000
Municipal Purpose Bonds of 2012.....	2028	1,974,332	2.00 - 2.63	1,800,000	-	170,000	1,630,000
Municipal Purpose Refunding Bonds of 2012.....	2028	3,165,000	2.00 - 5.00	2,749,000	-	406,000	2,343,000
Municipal Purpose Bonds of 2013.....	2038	18,661,334	1.00 - 4.00	18,661,334	-	769,334	17,892,000
Municipal Purpose Bonds of 2014.....	2039	5,000,000	2.00 - 5.00	-	5,000,000	-	5,000,000
Municipal Purpose Refunding Bonds of 2014.....	2026	13,580,000	2.00 - 5.00	-	13,580,000	-	13,580,000
Total governmental bonds payable.....				<u>68,162,292</u>	<u>18,580,000</u>	<u>22,238,292</u>	<u>64,504,000</u>
Add: Unamortized premium.....				221,760	2,256,131	16,141	2,461,750
Less: Deferred charges on refunding.....				<u>(341,000)</u>	<u>(151,233)</u>	<u>(75,000)</u>	<u>(417,233)</u>
Total governmental bonds payable, net.....				<u>\$ 68,043,052</u>	<u>\$ 20,684,898</u>	<u>\$ 22,179,433</u>	<u>\$ 66,548,517</u>

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

Year	Principal	Interest	Total
2015.....	\$ 6,033,800	\$ 2,100,866	\$ 8,134,666
2016.....	5,533,030	1,955,710	7,488,740
2017.....	5,241,600	1,791,623	7,033,223
2018.....	5,163,500	1,610,949	6,774,449
2019.....	4,790,000	1,434,620	6,224,620
2020.....	4,634,370	1,274,789	5,909,159
2021.....	3,661,900	1,109,775	4,771,675
2022.....	3,322,300	975,153	4,297,453
2023.....	3,286,700	843,714	4,130,414
2024.....	3,283,400	731,378	4,014,778
2025.....	3,053,400	626,834	3,680,234
2026.....	2,563,000	510,739	3,073,739
2027.....	1,964,000	424,037	2,388,037
2028.....	1,664,000	367,801	2,031,801
2029.....	1,564,000	315,798	1,879,798
2030.....	1,240,000	265,112	1,505,112
2031.....	960,000	227,897	1,187,897
2032.....	960,000	202,921	1,162,921
2033.....	960,000	174,016	1,134,016
2034.....	885,000	145,111	1,030,111
2035.....	885,000	118,126	1,003,126
2036.....	885,000	90,898	975,898
2037.....	885,000	63,186	948,186
2038.....	885,000	35,473	920,473
2039.....	200,000	7,760	207,760
Totals.....	\$ <u>64,504,000</u>	\$ <u>17,404,285</u>	\$ <u>81,908,285</u>

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During year 2014, approximately \$724,000 of such assistance was received. Approximately \$4,345,000 will be received in future years. Of this amount, approximately \$365,000 represents reimbursement of long-term interest costs, and approximately \$3,981,000 represents reimbursement of approved construction costs. Accordingly, a \$3,981,000 intergovernmental receivable and corresponding unavailable revenue have been reported in the governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In 2005 the Commonwealth enacted legislation that changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the Town. Through the end of year 2014 the Town has recorded capital grant proceeds totaling \$6.8 million from the MSBA, which is equal to 34.5% of approved construction costs submitted for reimbursement for the Field School. The Town anticipates receiving \$299,000 in additional capital grant proceeds in 2014 for eligible costs incurred as of year-end. Accordingly, a \$299,000 intergovernmental receivable has been recorded at year-end.

**Bonds and Notes Payable Schedule – Water Enterprise Funds**

	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
<b>Water Projects</b>							
Municipal Purpose Refunding Bonds of 2003.....	2014	\$ 307,131	1.25 - 3.00	\$ 38,823	\$ -	\$ 38,823	\$ -
Municipal Purpose Refunding Bonds of 2005.....	2017	355,279	2.00 - 5.00	187,219	-	187,219	-
Municipal Purpose Bonds of 2006.....	2015	120,000	3.30 - 6.25	20,000	-	20,000	-
Municipal Purpose Bonds of 2007.....	2016	50,000	3.50 - 4.00	15,000	-	5,000	10,000
Municipal Purpose Bonds of 2008.....	2016	142,000	3.00	40,000	-	19,000	21,000
Municipal Purpose Bonds of 2010.....	2026	919,422	2.64	611,000	-	100,000	511,000
Municipal Purpose Bonds of 2011.....	2030	2,985,000	2.00 - 5.00	2,640,000	-	168,000	2,472,000
Municipal Purpose Refunding Bonds of 2012.....	2021	115,000	2.00 - 2.63	101,000	-	14,000	87,000
Municipal Purpose Bonds of 2013.....	2033	432,000	1.00 - 4.00	432,000	-	29,000	403,000
Municipal Purpose Refunding Bonds of 2014.....	2017	141,000	2.00 - 5.00	-	141,000	-	141,000
Total water enterprise bonds payable.....				\$ 4,085,042	\$ 141,000	\$ 581,042	\$ 3,645,000

Debt service requirements for principal and interest for the Water enterprise fund bonds and notes payable in future years are as follows:

Year	Principal	Interest	Total
2015.....	\$ 385,600	\$ 118,433	\$ 504,033
2016.....	351,100	108,680	459,780
2017.....	342,900	100,792	443,692
2018.....	300,400	91,344	391,744
2019.....	268,400	82,943	351,343
2020.....	203,400	75,242	278,642
2021.....	195,400	69,054	264,454
2022.....	184,200	62,505	246,705
2023.....	184,200	58,462	242,662
2024.....	182,200	48,697	230,897
2025.....	182,200	41,854	224,054
2026.....	182,000	35,004	217,004
2027.....	176,000	27,959	203,959
2028.....	176,000	20,684	196,684
2029.....	176,000	13,189	189,189
2030.....	95,000	5,669	100,669
2031.....	20,000	1,700	21,700
2032.....	20,000	1,200	21,200
2033.....	20,000	600	20,600
Totals.....	\$ 3,645,000	\$ 964,010	\$ 4,609,010

**Bonds and Notes Payable Schedule – Brook School Apartments Enterprise Funds**

	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
<b>Brook School Apartments Projects</b>							
Municipal Purpose Bonds of 2005.....	2017	\$ 2,600,000	3.30 - 6.25	\$ 862,000	\$ -	\$ 217,000	\$ 645,000
Municipal Purpose Bonds of 2006.....	2025	2,520,332	3.30 - 6.25	1,520,000	-	1,520,000	-
Municipal Purpose Bonds of 2008.....	2016	50,000	3.00	18,000	-	6,000	12,000
Municipal Purpose Refunding Bonds of 2011.....	2016	141,000	2.00 - 5.00	76,000	-	31,000	45,000
Municipal Purpose Bonds of 2014.....	2034	1,375,000	2.00 - 5.00	-	1,375,000	-	1,375,000
Municipal Purpose Refunding Bonds of 2014.....	2023	1,199,000	2.00 - 5.00	-	1,199,000	-	1,199,000
Total brook school apartments enterprise bonds payable.....				<u>2,476,000</u>	<u>2,574,000</u>	<u>1,774,000</u>	<u>3,276,000</u>
Add: Unamortized premium.....				-	176,597	-	176,597
Total brook school apartments enterprise bonds payable, net.....				<u>\$ 2,476,000</u>	<u>\$ 2,750,597</u>	<u>\$ 1,774,000</u>	<u>\$ 3,452,597</u>

Debt service requirements for principal and interest for enterprise bonds payable in future years are as follows:

Year	Principal	Interest	Total
2015.....	\$ 455,600	\$ 127,061	\$ 582,661
2016.....	435,900	112,390	548,290
2017.....	415,500	96,100	511,600
2018.....	201,100	78,713	279,813
2019.....	201,600	69,358	270,958
2020.....	202,200	59,978	262,178
2021.....	202,700	50,568	253,268
2022.....	203,500	41,133	244,633
2023.....	204,100	32,358	236,458
2024.....	74,400	23,990	98,390
2025.....	74,400	22,020	96,420
2026.....	70,000	19,700	89,700
2027.....	70,000	17,600	87,600
2028.....	70,000	15,500	85,500
2029.....	70,000	13,400	83,400
2030.....	65,000	11,213	76,213
2031.....	65,000	9,100	74,100
2032.....	65,000	6,906	71,906
2033.....	65,000	4,631	69,631
2034.....	65,000	9,100	74,100
Totals.....	<u>\$ 3,276,000</u>	<u>\$ 820,816</u>	<u>\$ 4,096,816</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2014, the Town had the following authorized and unissued debt:

Purpose	Amount
Field school replacement.....	\$ 20,800,000
Brook school apartments.....	226,000
Sewer plans.....	30,000
Roads.....	382,000
Affordable housing.....	250,000
Wellesley street pump station.....	170,000
Black oak pump station.....	900,000
Middle school roof.....	162,668
High school boiler.....	297,600
Drainage improvements.....	3,043,000
Case campus.....	3,299,200
Police station design.....	12,750,000
Water main improvements.....	260,000
Design community center.....	50,000
<b>Total.....</b>	<b>\$ 42,620,468</b>

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Long-term bonds payable.....	\$ 68,162,292	\$ 18,580,000	\$ (22,238,292)	\$ 64,504,000	\$ 6,033,800
Add: unamortized premium.....	221,760	2,256,131	(16,141)	2,461,750	391,106
Less: deferred charges on refunding.....	(341,000)	(151,233)	75,000	(417,233)	(92,226)
Total bonds payable.....	68,043,052	20,684,898	(22,179,433)	66,548,517	6,332,680
Landfill closure.....	175,000	(25,000)	-	150,000	25,000
Compensated absences.....	2,209,000	(101,000)	-	2,108,000	1,224,000
Other postemployment benefits.....	12,694,000	5,030,403	(2,514,403)	15,210,000	-
Total governmental activity long-term liabilities.....	\$ 83,121,052	\$ 25,589,301	\$ (24,693,836)	\$ 84,016,517	\$ 7,581,680
<b>Business-Type Activities:</b>					
Bonds payable.....	\$ 6,561,042	\$ 2,715,000	\$ (2,355,042)	\$ 6,921,000	\$ 841,200
Add: unamortized premium.....	-	176,597	-	176,597	32,957
Total bonds payable.....	6,561,042	2,891,597	(2,355,042)	7,097,597	874,157
Compensated absences.....	185,000	12,000	-	197,000	113,000
Other postemployment benefits.....	276,000	36,955	(18,955)	294,000	-
Total business-type activity long-term liabilities.....	\$ 7,022,042	\$ 2,940,552	\$ (2,373,997)	\$ 7,588,597	\$ 987,157

Long-term liabilities related to both governmental and business-type activities are normally paid from the General Fund and the Enterprise Funds, respectively.

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town classifies fund balances according to the constraints imposed on the use of the resources.

There are two major classifications of fund balances are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, the Town classifies spendable fund balances based on a hierarchy of spending constraints as follows:

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2014, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS					Total Governmental Funds
	General	Community Preservation Fund	Case Estate Fund	Field School Fund	Nonmajor Governmental Funds	
<b>FUND BALANCES:</b>						
Nonspendable:						
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ -	5,350,481	\$ 5,350,481
Restricted for:						
Capital projects.....	-	-	6,663,866	-	567,792	7,231,658
Community preservation.....	-	19,891,049	-	-	-	19,891,049
School lunch.....	-	-	-	-	374,224	374,224
School grants.....	-	-	-	-	176,765	176,765
School gifts.....	-	-	-	-	489,770	489,770
School revolving funds.....	-	-	-	-	351,990	351,990
Town grants.....	-	-	-	-	836,718	836,718
Town gifts.....	-	-	-	-	928,724	928,724
Receipts reserved for appropriation.....	-	-	-	-	437,696	437,696
Expendable trust funds.....	-	-	-	-	10,132,983	10,132,983
Committed to:						
General government.....	104,351	-	-	-	-	104,351
Facilities town-wide.....	625,274	-	-	-	-	625,274
Public safety.....	64,467	-	-	-	-	64,467
Education.....	56,872	-	-	-	-	56,872
Public works.....	925,254	-	-	-	-	925,254
Insurance.....	186,093	-	-	-	-	186,093
Fringe benefits.....	220,402	-	-	-	-	220,402
Assigned to:						
General government.....	76,748	-	-	-	-	76,748
Facilities town-wide.....	48,830	-	-	-	-	48,830
Finance.....	5,700	-	-	-	-	5,700
Planning, land use & inspectional services...	3,283	-	-	-	-	3,283
Public safety.....	70,167	-	-	-	-	70,167
Education.....	245,173	-	-	-	-	245,173
Public works.....	63,037	-	-	-	-	63,037
Public library.....	2,186	-	-	-	-	2,186
Insurance.....	2,498	-	-	-	-	2,498
Fringe benefits.....	66,565	-	-	-	-	66,565
Free cash used in FY15.....	2,300,000	-	-	-	-	2,300,000
Unassigned.....	9,763,039	-	-	(9,975,919)	-	(212,880)
<b>TOTAL FUND BALANCES.....</b>	<b>\$ 14,829,939</b>	<b>\$ 19,891,049</b>	<b>\$ 6,663,866</b>	<b>\$ (9,975,919)</b>	<b>\$ 19,647,143</b>	<b>\$ 51,056,078</b>

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. Additions to and withdrawals from the funds can only be made upon Town Meeting approval. In accordance with Massachusetts General Law the Town has established a general stabilization fund and a pension liability stabilization fund to assist the Town in funding it's liability for pension benefits.

At year end, the balance of the general stabilization fund is approximately \$2.5 million and the balance of the pension liability stabilization fund is approximately \$407,000. These stabilization funds are reported as unassigned fund balance within the general fund.

**NOTE 9 – RISK FINANCING**

The Town is exposed to various risks of loss related to tort; theft of, damage to and the destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in premium-based health care and workers' compensation plans for its employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

**NOTE 10 – PENSION PLAN**

Plan Description - The Town contributes to the Middlesex Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Middlesex County Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth of Massachusetts (the Commonwealth). The amount of these on-behalf payments totaled approximately \$6,672,000 for the year ended June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase 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 Middlesex Regional Retirement Board and are borne by the System. The System issues a publicly available, audited financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 25 Linnel Circle, Billerica, Massachusetts 01821.

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarially determined contribution that is apportioned among the employers based on annual covered payroll. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$3,876,083, \$3,684,094, and \$3,482,215, respectively, which equaled its required contribution for each year.

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town of Weston administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides health, dental and life insurance for eligible retirees and their spouses through a single-employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* – The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes between 67 to 87 percent, depending on coverage selected, for eligible retired plan members. Plan members receiving benefits contribute the remaining 13 to 33 percent of their premium costs for health, life and dental insurance. The medical coverage continues to the spouse after the death of the retiree provided the spouse makes the require contributions.

The Commonwealth of Massachusetts passed special legislation that enabled the Town to establish a postemployment benefit trust fund for the purpose of accumulating assets to pre-fund its OPEB liabilities. During year 2014, the Town contributed \$1,631,000 to the fund and has accumulated \$7,626,000 in the OPEB Trust.

*Annual OPEB Cost and Net OPEB Obligation* – The Town’s annual 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 #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 6,413,000
Interest on net OPEB obligation.....	584,000
Adjustments to annual required contribution.....	<u>(432,000)</u>
Annual OPEB cost (expense).....	6,565,000
Contributions made.....	<u>(4,031,000)</u>
Increase in net OPEB obligation.....	2,534,000
Net OPEB obligation - beginning of year.....	<u>12,970,000</u>
Net OPEB obligation - end of year.....	<u>\$ 15,504,000</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year 2014 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 6,565,000	61.4%	\$ 15,504,000
6/30/2013	6,285,000	61.3%	12,970,000
6/30/2012	6,084,000	88.3%	10,535,000

*Funded Status and Funding Progress* – The funded status of the plan as of the most recent actuarial valuation dates is as follows:

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2012	\$ 3,510,050	\$ 79,889,296	\$ 76,379,246	4.39%	\$ 41,413,928	184.4%
7/1/2010	107,153	69,781,850	69,674,697	0.15%	Not Available	N/A
6/30/2009	-	67,365,924	67,365,924	0.0%	38,506,436	174.9%

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

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

In the July 1, 2012, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10% initially, graded to 5.0% over five years. The UAAL is being amortized over a closed 30 year period, with amortization payments increasing at 4.5% per year. The remaining amortization period at July 1, 2012 is 30 years.

**NOTE 12 – LANDFILL CLOSURE**

State and federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town has reflected a \$150,000 post-closure care liability at June 30, 2014 as an obligation of governmental funds. This amount is based upon estimates of what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Its cost was estimated based on annual sampling for the current monitoring network at the site and estimated costs to maintain the integrity of the landfill cap during the post-closure period.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2014, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

**NOTE 15 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

During 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include deferred outflows and inflows being presented in the Statement of Net Position. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #67, *Financial Reporting for Pension Plans*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 2015.

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

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# ***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

The General Fund is the general operating fund of the Town. It is used to account for all of the Town's financial resources, except those required to be accounted for in another fund.

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
<b>REVENUES:</b>							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 67,555,373	\$ 67,555,373	\$ 67,555,373	\$ 67,715,993	\$ -	\$ 160,620
Tax liens.....	-	-	-	-	283,797	-	283,797
Motor vehicle and other excise taxes.....	-	2,200,000	2,200,000	2,200,000	2,808,327	-	608,327
Charges for services.....	-	360,000	360,000	360,000	354,262	-	(5,738)
Penalties and interest on taxes.....	-	150,000	150,000	150,000	206,604	-	56,604
Payments in lieu of taxes.....	-	34,168	34,168	34,168	34,168	-	-
Licenses and permits.....	-	855,000	855,000	855,000	1,483,611	-	628,611
Fines and forfeitures.....	-	110,000	110,000	110,000	118,766	-	8,766
Fees and rentals.....	-	245,000	245,000	245,000	362,484	-	117,484
Intergovernmental.....	-	3,671,849	3,671,849	3,671,849	3,968,316	-	296,467
Departmental and other.....	-	430,000	430,000	430,000	575,251	-	145,251
Investment income.....	-	75,000	75,000	75,000	74,335	-	(665)
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>75,686,390</b>	<b>75,686,390</b>	<b>75,686,390</b>	<b>77,985,914</b>	<b>-</b>	<b>2,299,524</b>
<b>EXPENDITURES:</b>							
Current:							
General government.....	155,930	2,535,216	2,691,146	2,658,213	1,737,551	181,099	739,563
Facilities town-wide.....	775,317	1,308,153	2,083,470	2,083,470	1,390,980	674,104	18,386
Finance.....	3,062	808,345	811,407	811,482	752,895	5,700	52,887
Planning, land use & inspectional services.....	9,422	722,434	731,856	760,134	727,189	3,282	29,663
Public safety.....	86,777	6,959,812	7,046,589	7,046,325	6,749,764	134,634	161,927
Education.....	692,810	35,493,926	36,186,736	36,186,594	35,755,382	302,045	129,167
Public works.....	1,431,688	4,323,698	5,755,386	6,173,633	5,035,261	988,291	150,081
Health & human services.....	421	691,435	691,856	693,664	671,228	-	22,436
Public Library.....	3,032	1,274,229	1,277,261	1,280,703	1,194,407	2,186	84,110
Insurance.....	195,740	690,000	885,740	885,740	539,263	188,591	157,886
Fringe benefits.....	210,073	15,486,266	15,696,339	15,696,339	15,237,206	286,968	172,165
State and county charges.....	-	275,070	275,070	275,070	273,573	-	1,497
Debt service:							
Principal.....	-	6,364,627	6,364,627	6,398,334	6,398,334	-	-
Interest.....	-	2,206,025	2,206,025	2,166,318	2,141,450	-	24,868
<b>TOTAL EXPENDITURES.....</b>	<b>3,564,272</b>	<b>79,139,236</b>	<b>82,703,508</b>	<b>83,116,019</b>	<b>78,604,483</b>	<b>2,766,900</b>	<b>1,744,636</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(3,564,272)</b>	<b>(3,452,846)</b>	<b>(7,017,118)</b>	<b>(7,429,629)</b>	<b>(618,569)</b>	<b>(2,766,900)</b>	<b>4,044,160</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Use of prior year fund balance.....	3,564,272	-	3,564,272	3,564,272	-	-	(3,564,272)
Use of free cash.....	-	3,160,000	3,160,000	3,576,537	-	-	(3,576,537)
Use of overlay surplus.....	-	213,000	213,000	213,000	-	-	(213,000)
Proceeds from refunding bonds.....	-	13,721,000	13,721,000	13,721,000	13,721,000	-	-
Premium from issuance of refunding bonds.....	-	1,857,482	1,857,482	1,857,482	1,857,482	-	-
Payments for current refunded bonds.....	-	(15,790,000)	(15,790,000)	(15,790,000)	(15,790,000)	-	-
Use of MSBA reserve.....	-	211,518	211,518	211,518	-	-	(211,518)
Premium from issuance of bonds and notes.....	-	-	-	-	239,970	-	239,970
Transfers in.....	-	791,501	791,501	791,501	791,501	-	-
Transfers out.....	-	(711,655)	(711,655)	(715,681)	(715,681)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>3,564,272</b>	<b>3,452,846</b>	<b>7,017,118</b>	<b>7,429,629</b>	<b>104,272</b>	<b>-</b>	<b>(7,325,357)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(514,297)</b>	<b>(2,766,900)</b>	<b>(3,281,197)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>12,415,069</b>	<b>12,415,069</b>	<b>12,415,069</b>	<b>12,415,069</b>	<b>12,415,069</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 12,415,069</b>	<b>\$ 12,415,069</b>	<b>\$ 12,415,069</b>	<b>\$ 12,415,069</b>	<b>\$ 11,900,772</b>	<b>\$ (2,766,900)</b>	<b>\$ (3,281,197)</b>

See notes to required supplementary information.

# ***Retirement System Schedules***

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

**MIDDLESEX COUNTY RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/12	\$ 862,323,395	\$ 1,974,144,909	\$ 1,111,821,514	43.7%	\$ 393,100,995	282.8%
1/1/10	819,987,914	1,743,581,707	923,593,793	47.0%	384,598,692	240.1%
1/1/08	774,863,669	1,529,806,307	754,942,638	50.7%	360,206,302	209.6%
1/1/06	653,156,866	1,364,582,969	711,426,103	47.9%	330,999,861	214.9%
1/1/04	618,163,380	1,223,828,127	605,664,747	50.5%	306,025,949	197.9%
1/1/02	599,699,143	1,020,828,178	421,129,035	58.7%	280,740,439	150.0%
1/1/00	570,263,467	905,280,472	335,017,005	63.0%	253,228,818	132.3%
1/1/98	476,708,969	763,093,878	286,384,909	62.5%	215,380,186	133.0%
1/1/96	373,750,361	634,920,488	261,170,127	58.9%	218,345,024	119.6%

The Town's share of the UAAL, as of January 1, 2012 is approximately 4.38%.

See notes to required supplementary information.

**MIDDLESEX COUNTY RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Plan Year Ended December 31	System Wide			Town of Weston	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2013	\$ 88,723,254	\$ 88,723,254	100%	\$ 3,876,083	4.37%
2012	83,308,220	83,308,220	100%	3,648,094	4.38%
2011	78,662,214	78,662,214	100%	3,482,215	4.43%
2010	76,146,963	76,146,963	100%	3,192,183	4.19%
2009	78,212,121	78,212,121	100%	3,054,721	3.91%
2008	72,050,318	72,050,318	100%	3,082,584	4.28%
2007	64,664,829	64,664,829	100%	2,762,647	4.27%
2006	60,169,717	60,169,717	100%	2,405,270	4.00%
2005	52,298,150	52,298,150	100%	2,149,029	4.11%
2004	52,902,366	52,902,366	100%	1,795,236	3.39%

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

The Schedule of Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2012	\$ 3,510,050	\$ 79,889,296	\$ 76,379,246	4.39%	\$ 41,413,928	184.4%
7/1/2010	107,000	69,782,000	69,675,000	0.15%	Not Available	N/A
6/30/2009	-	67,366,000	67,366,000	0.0%	38,506,000	174.9%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2014	\$ 6,413,000	\$ 4,031,000	63%
2013	6,162,000	3,850,000	62%
2012	5,969,000	5,369,000	90%
2011	5,688,000	2,020,000	36%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

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Actuarial Methods:

Valuation date.....	July 1, 2012
Actuarial cost method.....	Projected unit credit cost method
Amortization method.....	Amortization payments increasing at 4.5%
Remaining amortization period.....	30 years as of July 1, 2012, closed

Actuarial Assumptions:

Investment rate of return.....	4.5% per annum
Medical/drug cost trend rate.....	10% initially, graded to 5% over 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	443
Current active members.....	<u>619</u>
Total.....	<u><u>1,062</u></u>

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting adopts the expenditure budget by majority vote.

Increases or transfers between departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a Special Town Meeting.

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

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original year 2014 budget includes approximately \$79.9 million in appropriations and other amounts to be raised and approximately \$3.6 million in encumbrances and appropriations carried over from previous years. During year 2014, Town Meeting approved supplemental appropriations totaling \$417,000 for snow and ice control.

The accounting office has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2014, is presented below:

Net change in fund balance, budgetary basis.....	\$ (514,297)
<u>Perspective difference:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP.....	292,337
<u>Basis of accounting differences:</u>	
Net increase in revenues due to on-behalf payments.....	6,671,981
Net increase in recording expenditures due to on-behalf payments.....	<u>(6,671,981)</u>
Net change in fund balance, GAAP basis.....	<u>\$ (221,960)</u>

**NOTE B – PENSION PLAN**

The Town contributes to the Middlesex Retirement System ("Retirement System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan"). The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

Valuation Date.....	January 1, 2012	
Actuarial Cost Method.....	Entry age normal cost method.	
Amortization Method.....	Prior year's total contribution increased by 6.5% for 2014 through 2020, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments.	
Remaining Amortization Period.....	As of July 1, 2012, 7 years remaining for 2002 ERI liability, 8 years remaining for 2003 ERI liability, 10 years remaining for 2010 ERI liability, and 23 years remaining for unfunded liability.	
Asset Valuation Method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period as described by Revenue Procedure 2000-40.	
Actuarial Assumptions:		
Investment rate of return.....	8.00%	
Projected salary increases.....	4.75% for Group 1 and 5.25% for Group 4	
Cost of living adjustments.....	3.00% of first \$14,000 of retirement income	
Plan Membership:		
Retired participants and beneficiaries receiving benefits.....		4,886
Inactive participants entitled to a return of their employee contributions.....		2,708
Inactive participants with a vested right to a deferred or immediate benefit.....		394
Active participants.....		<u>8,979</u>
Total.....		<u><u>16,967</u></u>

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members, including teachers.

Prior to 2012, the Town funded its other postemployment benefits (OPEB) on a pay-as-you-go basis. In 2012, the Town began prefunding a portion of the liability in an irrevocable trust fund. The funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) was 4.39% as of the most recent actuarial valuation. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multiyear trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

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

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.