

**TOWN OF WAYLAND, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2013**

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MELANSON HEATH & COMPANY, PC  
CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Wayland, 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 Wayland, Massachusetts (the Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk 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 Wayland, Massachusetts as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Schedule of Funding Progress, Net OPEB Asset, and OPEB Trust Balance appearing on page 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
December 30, 2013

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

As management of the Town of Wayland, Massachusetts, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. **Unless otherwise noted, all amounts are expressed in thousands.**

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

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

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

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

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

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

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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.

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

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

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

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

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

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary infor-



mation which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$116,751 (i.e., net position), a change of \$(486) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$36,646, a change of \$(5,059) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,878 a change of \$(120) in comparison to the prior year.
- Total bonds payable, including the unamortized premium, was \$72,363 at the close of the current fiscal year. Bonds payable, including the unamortized premium, changed by \$(3,770) in comparison to the prior year.

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

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 45,888	\$ 52,570	\$ 5,889	\$ 7,336	\$ 51,777	\$ 59,906
Capital assets	123,690	121,523	19,743	19,083	143,433	140,606
Total assets	<u>169,578</u>	<u>174,093</u>	<u>25,632</u>	<u>26,419</u>	<u>195,210</u>	<u>200,512</u>
Long-term liabilities outstanding	58,957	61,886	14,645	15,744	73,602	77,630
Other liabilities	4,408	5,355	449	290	4,857	5,645
Total liabilities	<u>63,365</u>	<u>67,241</u>	<u>15,094</u>	<u>16,034</u>	<u>78,459</u>	<u>83,275</u>
Net position:						
Net investment in capital assets	69,804	66,934	5,537	4,287	75,341	71,221
Restricted	18,244	17,455	-	-	18,244	17,455
Unrestricted	<u>18,165</u>	<u>22,463</u>	<u>5,001</u>	<u>6,098</u>	<u>23,166</u>	<u>28,561</u>
Total net position	<u>\$ 106,213</u>	<u>\$ 106,852</u>	<u>\$ 10,538</u>	<u>\$ 10,385</u>	<u>\$ 116,751</u>	<u>\$ 117,237</u>

### CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues						
Charges for services	\$ 8,840	\$ 8,814	\$ 3,811	\$ 4,421	\$ 12,651	\$ 13,235
Operating grants and contributions	9,628	9,808	-	-	9,628	9,808
General revenues:						
Property taxes	52,668	56,211	-	-	52,668	56,211
Excises	2,139	1,992	-	-	2,139	1,992
Grants and contributions not restricted to specific programs	5,344	16,866	5	-	5,349	16,866
Investment income	413	363	15	17	428	380
Other	97	141	-	-	97	141
Total revenues	<u>79,129</u>	<u>94,195</u>	<u>3,831</u>	<u>4,438</u>	<u>82,960</u>	<u>98,633</u>
Expenses:						
General government	4,342	4,275	-	-	4,342	4,275
Public safety	6,216	6,246	-	-	6,216	6,246
Education	49,781	48,546	-	-	49,781	48,546
Public works	3,083	2,682	-	-	3,083	2,682
Sanitation	33	115	-	-	33	115
Health and human services	1,180	1,146	-	-	1,180	1,146
Culture and recreation	2,579	2,652	-	-	2,579	2,652
Intergovernmental	185	192	-	-	185	192
Employee benefits	10,033	10,491	-	-	10,033	10,491
Interest on long-term debt	2,336	2,261	-	-	2,336	2,261
Water	-	-	3,168	2,970	3,168	2,970
Sewer	-	-	510	499	510	499
Total expenses	<u>79,768</u>	<u>78,606</u>	<u>3,678</u>	<u>3,469</u>	<u>83,446</u>	<u>82,075</u>
Change in net position before transfers	(639)	15,589	153	969	(486)	16,558
Transfers in (out)	-	(510)	-	510	-	-
Change in net position	(639)	15,079	153	1,479	(486)	16,558
Net position - beginning of year	<u>106,852</u>	<u>91,773</u>	<u>10,385</u>	<u>8,906</u>	<u>117,237</u>	<u>100,679</u>
Net position - end of year	<u>\$ 106,213</u>	<u>\$ 106,852</u>	<u>\$ 10,538</u>	<u>\$ 10,385</u>	<u>\$ 116,751</u>	<u>\$ 117,237</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The largest portion of net position \$75,341 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is

reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$18,244 represents resources that are subject to external restrictions on how they may be used.

The remaining balance of net position represents unrestricted net position of \$23,166, which may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(639). Key elements of this change are as follows:

Change in net OPEB asset	\$ (666)
Other	<u>27</u>
Total	<u>\$ (639)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$154. Key elements of this change are as follows:

Water operations	\$ 296
Wastewater operations	<u>(142)</u>
Total	<u>\$ 154</u>

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

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

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$36,646, a change of \$(5,059) in comparison to the prior year. Key elements of this change are as follows:

General fund revenues over expenditures	\$ (3,852)
Premium on issuance of bonds	225
CPA fund revenues over expenditures	573
Special revenue and permanent fund revenues over expenditures	1,050
Timing difference between current year bond proceeds/intergovernmental revenues and current year capital expenditures	(3,008)
Other	<u>(47)</u>
Total	<u>\$ (5,059)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,878, while total fund balance was \$16,658. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	Balance % of Total General Fund Expenditures <u>6/30/13</u>
Restricted	\$ 1,261	\$ 1,380	\$ (119)	2%
Committed	1,768	2,111	(343)	2%
Assigned	5,751	8,923	(3,172)	8%
Unassigned	<u>7,878</u>	<u>7,998</u>	<u>(120)</u>	11%
Total fund balance	<u>\$ 16,658</u>	<u>\$ 20,412</u>	<u>\$ (3,754)</u>	23%

The total fund balance of the general fund changed by \$(3,754) during the current fiscal year. Key factors in this change are as follows:

Use of reserve:	
Use of free cash	\$ (5,185)
Use of overlay	(1,720)
Use of bond premium	<u>(119)</u>
Subtotal	(7,024)
Revenues in excess of budget	539
Expenditures less than budget	1,725
Unused allowance for abatements, net	778
Other	<u>228</u>
Total Change in General Fund Balance	<u>\$ (3,754)</u>

The Town's unassigned fund balance of the general fund, decreased by \$(120) during the current fiscal year. Key factors in this change are as follows:

Unassigned fund balance June 30, 2012	\$ 7,998
Positive results of operations in fiscal year 2013:	
Revenues	539
Expenditures	1,725
Transfers in	138
Unused fiscal year 2013 overlay	778
Use of free cash for fiscal year 2014	(3,995)
Liquidated assignments	499
Other	196
Unassigned fund balance June 30, 2013	<u><u>\$ 7,878</u></u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$5,002, a change of \$(1,096) in comparison with the prior year. A key factor in this change was the decrease in price of Water administration fee in comparison to the prior year.

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

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

The Town's actual revenues as compared to budget show a \$539 favorable variance. The Town also recognized a \$138 favorable change in transfers in as outlined below:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Ambulance	\$ 360	\$ 360	\$ -
Health reimbursement account	-	110	110
Town capital project funds	-	12	12
Other	-	16	16
Total	<u><u>\$ 360</u></u>	<u><u>\$ 498</u></u>	<u><u>\$ 138</u></u>

Unspent appropriations at year-end totaled \$1,725 with more than three quarters from the Town's "unclassified" function. Significant components of the unspent appropriation in the "unclassified" function were as follows:

	Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Insurance 32B	\$ 5,852	\$ 4,903	\$ 949
Unemployment	125	33	92
Insurance general	600	519	81
Other	<u>860</u>	<u>793</u>	<u>67</u>
Total unclassified	\$ <u>7,437</u>	\$ <u>6,248</u>	\$ <u>1,189</u>

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$143,432 (net of accumulated depreciation), a change of \$2,826 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- High School completion of \$2,631
- Town Hall renovation of \$1,345
- Highway infrastructure improvements of \$1,055
- Wastewater plant improvements of \$529
- Water system upgrade of \$525

Additional information on capital assets can be found in the Notes to the Financial Statements.

**Change in credit rating.** During the fiscal year, the Moody Investor Services has affirmed the Town's Aaa rating.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$70,532, all of which was backed by the full faith and credit of the government.

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

## **REQUESTS FOR INFORMATION**

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

Finance Director  
Town of Wayland  
41 Cochituate Road  
Wayland, Massachusetts 01778

## TOWN OF WAYLAND, MASSACHUSETTS

## STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 22,266,501	\$ 4,947,810	\$ 27,214,311
Investments	17,108,088	-	17,108,088
Receivables, net of allowance for uncollectibles:			
Property taxes	774,168	-	774,168
Excises	161,322	-	161,322
User fees	-	941,943	941,943
Assessments	89,583	-	89,583
Departmental and other	146,453	-	146,453
Total current assets	40,546,115	5,889,753	46,435,868
Noncurrent:			
Property taxes	1,233,690	-	1,233,690
Net OPEB asset	4,108,519	-	4,108,519
Capital assets:			
Nondepreciable capital assets	23,326,333	-	23,326,333
Other capital assets, net of accumulated depreciation	100,363,361	19,742,590	120,105,951
Total noncurrent assets	129,031,903	19,742,590	148,774,493
<b>TOTAL ASSETS</b>	169,578,018	25,632,343	195,210,361
<b>LIABILITIES</b>			
Current:			
Accounts payable	1,398,255	134,532	1,532,787
Accrued liabilities	1,005,464	270,902	1,276,366
Accrued payroll and withholdings	778,843	5,820	784,663
Guaranteed deposits payable	916,932	-	916,932
Other liabilities	307,976	-	307,976
Current portion of long-term liabilities:			
Bonds and loans payable	5,200,459	1,083,136	6,283,595
Other liabilities	245,831	37,713	283,544
Total current liabilities	9,853,760	1,532,103	11,385,863
Noncurrent:			
Bonds and loans payable, net of current portion	52,517,708	13,561,864	66,079,572
Other liabilities, net of current portion	993,169	-	993,169
Total noncurrent liabilities	53,510,877	13,561,864	67,072,741
<b>TOTAL LIABILITIES</b>	63,364,637	15,093,967	78,458,604
<b>NET POSITION</b>			
Net investment in capital assets	69,804,121	5,536,815	75,340,936
Restricted for:			
Grants and by enabling legislation	15,249,768	-	15,249,768
Permanent fund:			
Nonspendable	1,151,922	-	1,151,922
Spendable	1,842,793	-	1,842,793
Unrestricted	18,164,777	5,001,561	23,166,338
<b>TOTAL NET POSITION</b>	<b>\$ 106,213,381</b>	<b>\$ 10,538,376</b>	<b>\$ 116,751,757</b>

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



## TOWN OF WAYLAND, MASSACHUSETTS

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 4,341,501	\$ 786,359	\$ 179,660	\$ -	\$ (3,375,482)	\$ -	\$ (3,375,482)
Public safety	6,215,782	1,816,507	2,685	-	(4,396,590)	-	(4,396,590)
Education	49,781,333	4,758,868	9,288,902	-	(35,733,563)	-	(35,733,563)
Public works	3,083,377	482,433	45,442	-	(2,555,502)	-	(2,555,502)
Sanitation	32,807	1,974	64,072	-	33,239	-	33,239
Health and human services	1,180,480	159,445	21,357	-	(999,678)	-	(999,678)
Culture and recreation	2,578,815	834,332	25,587	-	(1,718,896)	-	(1,718,896)
Intergovernmental	185,367	-	-	-	(185,367)	-	(185,367)
Employee benefits	10,032,828	-	-	-	(10,032,828)	-	(10,032,828)
Interest	2,335,510	-	-	-	(2,335,510)	-	(2,335,510)
Total Governmental Activities	79,767,800	8,839,918	9,627,705	-	(61,300,177)	-	(61,300,177)
<b>Business-Type Activities:</b>							
Water services	3,167,051	3,450,959	-	-	-	283,908	283,908
Wastewater services	510,222	359,829	-	-	-	(150,393)	(150,393)
Total Business-Type Activities	3,677,273	3,810,788	-	-	-	133,515	133,515
Total	\$ 83,445,073	\$ 12,650,706	\$ 9,627,705	\$ -	(61,300,177)	133,515	(61,166,662)
<b>General Revenues:</b>							
Property taxes					52,668,419	-	52,668,419
Excise taxes					2,139,197	-	2,139,197
Grants and contributions not restricted to specific programs					5,344,129	4,992	5,349,121
Investment income					412,826	15,103	427,929
Other					96,511	-	96,511
Total general revenues and transfers					60,661,082	20,095	60,681,177
Change in Net Position					(639,095)	153,610	(485,485)
<b>Net Position:</b>							
Beginning of year					106,852,476	10,384,766	117,237,242
End of year					\$ 106,213,381	\$ 10,538,376	\$ 116,751,757

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

## TOWN OF WAYLAND, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 1,934,798	\$ 8,771,107	\$ 11,560,594	\$ 22,266,499
Investments	17,108,088	-	-	17,108,088
Receivables:				
Property taxes	2,224,386	8,158	-	2,232,544
Excises	228,394	-	-	228,394
Assessments	54,384	-	35,198	89,582
Departmental and other	<u>590</u>	<u>-</u>	<u>214,511</u>	<u>215,101</u>
TOTAL ASSETS	<u>\$ 21,550,640</u>	<u>\$ 8,779,265</u>	<u>\$ 11,810,303</u>	<u>\$ 42,140,208</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Warrants and accounts payable	\$ 1,058,298	\$ -	\$ 339,953	\$ 1,398,251
Accrued payroll and withholdings	775,116	-	3,727	778,843
Guaranteed deposits payable	<u>916,932</u>	<u>-</u>	<u>-</u>	<u>916,932</u>
TOTAL LIABILITIES	2,750,346	-	343,680	3,094,026
Deferred Inflows of Resources	2,142,393	8,157	249,709	2,400,259
Fund Balances:				
Nonspendable	-	-	1,151,922	1,151,922
Restricted	1,260,811	8,771,108	11,600,008	21,631,927
Committed	1,767,731	-	-	1,767,731
Assigned	5,751,198	-	-	5,751,198
Unassigned	<u>7,878,161</u>	<u>-</u>	<u>(1,535,016)</u>	<u>6,343,145</u>
TOTAL FUND BALANCES	<u>16,657,901</u>	<u>8,771,108</u>	<u>11,216,914</u>	<u>36,645,923</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 21,550,640</u>	<u>\$ 8,779,265</u>	<u>\$ 11,810,303</u>	<u>\$ 42,140,208</u>

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

TOWN OF WAYLAND, MASSACHUSETTS

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

JUNE 30, 2013

<b>Total governmental fund balances</b>	\$ 36,645,923
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	123,689,694
<ul style="list-style-type: none"><li>• Net Other Post Employment Benefits asset is reported on the statement of net position, and not reported in the funds.</li></ul>	4,108,519
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	2,039,852
<ul style="list-style-type: none"><li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(1,005,464)
<ul style="list-style-type: none"><li>• Other liabilities, that are not considered liabilities in the funds.</li></ul>	(307,976)
<ul style="list-style-type: none"><li>• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	
Bonds payable	(55,886,977)
Unamortized debt premium	(1,831,190)
Landfill liability	(314,775)
Compensated absences liability	<u>(924,225)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 106,213,381</u></u>

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

## TOWN OF WAYLAND, MASSACHUSETTS

## GOVERNMENTAL FUNDS

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 52,133,131	\$ 634,423	\$ -	\$ 52,767,554
Excise taxes	2,054,572	-	-	2,054,572
Licenses and permits	1,006,114	-	-	1,006,114
Intergovernmental	11,774,775	179,660	2,946,724	14,901,159
Charges for services	513,498	-	7,315,564	7,829,062
Investment income	100,627	20,861	291,338	412,826
Fines and forfeitures	72,662	-	-	72,662
Contributions	-	-	8,516	8,516
Total Revenues	<u>67,655,379</u>	<u>834,944</u>	<u>10,562,142</u>	<u>79,052,465</u>
<b>Expenditures:</b>				
Current:				
General government	3,379,237	262,281	448,613	4,090,131
Public safety	5,513,539	-	403,801	5,917,340
Education	40,285,749	-	6,727,051	47,012,800
Public works	2,115,578	-	390,167	2,505,745
Sanitation	32,807	-	-	32,807
Health and human services	1,104,814	-	67,180	1,171,994
Culture and recreation	1,885,413	-	460,176	2,345,589
Employee benefits	9,367,224	-	-	9,367,224
Intergovernmental	185,367	-	-	185,367
Debt service:				
Principal	5,293,663	-	16,302	5,309,965
Interest	2,344,275	-	-	2,344,275
Capital outlay	-	-	6,562,083	6,562,083
Total Expenditures	<u>71,507,666</u>	<u>262,281</u>	<u>15,075,373</u>	<u>86,845,320</u>
Excess (deficiency) of revenues over expenditures	(3,852,287)	572,663	(4,513,231)	(7,792,855)
<b>Other Financing Sources (Uses):</b>				
Issuance of bonds	-	-	2,555,000	2,555,000
Issuance of refunding bonds	1,314,000	-	-	1,314,000
Premium	224,659	-	-	224,659
Deposit to refunding escrow agent	(1,360,000)	-	-	(1,360,000)
Transfers in	843,967	-	925,000	1,768,967
Transfers out	(925,000)	-	(843,967)	(1,768,967)
Total Other Financing Sources (Uses)	<u>97,626</u>	<u>-</u>	<u>2,636,033</u>	<u>2,733,659</u>
Net change in fund balances	(3,754,661)	572,663	(1,877,198)	(5,059,196)
Fund Balances, at Beginning of Year	<u>20,412,562</u>	<u>8,198,445</u>	<u>13,094,112</u>	<u>41,705,119</u>
Fund Balances, at End of Year	<u>\$ 16,657,901</u>	<u>\$ 8,771,108</u>	<u>\$ 11,216,914</u>	<u>\$ 36,645,923</u>

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

TOWN OF WAYLAND, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

<b>Net Changes in fund Balances - total Governmental Funds</b>	<b>\$ (5,059,196)</b>																		
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay purchases, net of disposals</td><td style="text-align: right;">6,637,140</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(4,470,342)</td></tr> </table> </li> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources. <div style="text-align: right;">(84,341)</div> </li> <li>Decrease in net OPEB asset <div style="text-align: right;">(665,604)</div> </li> <li>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: <table> <tr> <td>Repayments of debt</td><td style="text-align: right;">5,309,965</td></tr> <tr> <td>Issuance of bonds</td><td style="text-align: right;">(2,555,000)</td></tr> <tr> <td>Gain on refunding</td><td style="text-align: right;">46,000</td></tr> <tr> <td>Deferred premium</td><td style="text-align: right;">(224,659)</td></tr> <tr> <td>Bond premium amortization</td><td style="text-align: right;">96,511</td></tr> </table> </li> <li>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <div style="text-align: right;">8,765</div> </li> <li>Change in other liabilities <div style="text-align: right;">64,072</div> </li> <li>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td>Compensated absences</td><td style="text-align: right;">216,028</td></tr> <tr> <td>Landfill</td><td style="text-align: right;">41,566</td></tr> </table> </li> </ul>	Capital outlay purchases, net of disposals	6,637,140	Depreciation	(4,470,342)	Repayments of debt	5,309,965	Issuance of bonds	(2,555,000)	Gain on refunding	46,000	Deferred premium	(224,659)	Bond premium amortization	96,511	Compensated absences	216,028	Landfill	41,566	
Capital outlay purchases, net of disposals	6,637,140																		
Depreciation	(4,470,342)																		
Repayments of debt	5,309,965																		
Issuance of bonds	(2,555,000)																		
Gain on refunding	46,000																		
Deferred premium	(224,659)																		
Bond premium amortization	96,511																		
Compensated absences	216,028																		
Landfill	41,566																		
<b>Change in net position of governmental activities</b>	<b>\$ (639,095)</b>																		

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

## TOWN OF WAYLAND, MASSACHUSETTS

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Property taxes, net	\$ 51,018,172	\$ 51,018,172	\$ 51,018,172	\$ -
Intergovernmental	4,186,541	4,186,541	4,129,116	(57,425)
Motor vehicle & other excise tax	2,160,000	2,160,000	2,220,262	60,262
Penalties & interest	150,000	150,000	216,296	66,296
In-lieu payments	30,000	30,000	23,913	(6,087)
Departmental fees & charges	825,000	825,000	884,801	59,801
Licenses & permits	725,000	725,000	1,006,113	281,113
Special assessments	5,000	5,000	16,167	11,167
Fines & forfeits	55,000	55,000	81,911	26,911
Investment income	225,000	225,000	321,491	96,491
Total Revenues	59,379,713	59,379,713	59,918,242	538,529
<b>Expenditures</b>				
Current:				
General government	3,756,101	3,782,284	3,634,653	147,631
Public safety	5,631,022	5,771,422	5,530,763	240,659
Education	32,786,704	32,786,704	32,778,757	7,947
Public works	2,383,539	2,548,539	2,512,955	35,584
Health and human services	1,146,815	1,146,815	1,106,747	40,068
Culture & recreation	1,321,750	1,321,750	1,303,365	18,385
State & county assessments	202,680	202,680	185,367	17,313
Debt service	7,665,964	7,665,964	7,637,937	28,027
Pension	3,171,056	3,171,056	3,171,056	-
Unclassified	7,774,000	7,437,417	6,248,292	1,189,125
Total Expenditures	65,839,631	65,834,631	64,109,892	1,724,739
Excess (deficiency) of revenues over expenditures	(6,459,918)	(6,454,918)	(4,191,650)	2,263,268
<b>Other Financing Sources (Uses)</b>				
Use of free cash	5,020,000	5,185,000	-	(5,185,000)
Bond premium	119,384	119,384	-	(119,384)
Use of overlay reserve	1,720,000	1,720,000	-	(1,720,000)
Transfers from other funds	360,000	360,000	497,614	137,614
Transfers to other funds	(755,000)	(925,000)	(925,000)	-
Other uses	(4,466)	(4,466)	-	4,466
Total Other Financing Sources(Uses)	6,459,918	6,454,918	(427,386)	(6,882,304)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (4,619,036)	\$ (4,619,036)

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

## TOWN OF WAYLAND, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current:			
Cash and short-term investments	\$ 4,531,952	\$ 415,858	\$ 4,947,810
User fees receivable	<u>556,801</u>	<u>385,142</u>	<u>941,943</u>
Total current assets	5,088,753	801,000	5,889,753
Noncurrent:			
Capital assets:			
Other capital assets, net of accumulated depreciation	<u>14,308,882</u>	<u>5,433,708</u>	<u>19,742,590</u>
Total noncurrent assets	<u>14,308,882</u>	<u>5,433,708</u>	<u>19,742,590</u>
<b>TOTAL ASSETS</b>	19,397,635	6,234,708	25,632,343
<b><u>LIABILITIES</u></b>			
Current:			
Accounts payable	123,279	11,253	134,532
Accrued liabilities	270,902	-	270,902
Accrued payroll	5,820	-	5,820
Current portion of long-term liabilities:			
Bonds and loans payable	834,500	248,636	1,083,136
Compensated absences	<u>37,713</u>	<u>-</u>	<u>37,713</u>
Total current liabilities	1,272,214	259,889	1,532,103
Noncurrent:			
Bonds and loans payable, net of current portion	<u>8,452,500</u>	<u>5,109,364</u>	<u>13,561,864</u>
Total noncurrent liabilities	<u>8,452,500</u>	<u>5,109,364</u>	<u>13,561,864</u>
<b>TOTAL LIABILITIES</b>	9,724,714	5,369,253	15,093,967
<b><u>NET POSITION</u></b>			
Net investment in capital assets	5,335,741	201,074	5,536,815
Unrestricted	<u>4,337,180</u>	<u>664,381</u>	<u>5,001,561</u>
<b>TOTAL NET POSITION</b>	<u>\$ 9,672,921</u>	<u>\$ 865,455</u>	<u>\$ 10,538,376</u>

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

TOWN OF WAYLAND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 3,450,959	\$ 359,829	\$ 3,810,788
Total Operating Revenues	3,450,959	359,829	3,810,788
<b>Operating Expenses:</b>			
Personal services	937,066	-	937,066
Nonpersonnel	1,205,408	147,022	1,352,430
Depreciation	526,806	149,685	676,491
Total Operating Expenses	2,669,280	296,707	2,965,987
Operating Income	781,679	63,122	844,801
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	11,965	3,138	15,103
Intergovernmental revenue	-	4,992	4,992
Interest expense	(497,771)	(213,515)	(711,286)
Total Nonoperating Revenues (Expenses), Net	(485,806)	(205,385)	(691,191)
Change in Net Position	295,873	(142,263)	153,610
Net Position at Beginning of Year	9,377,048	1,007,718	10,384,766
Net Position at End of Year	\$ 9,672,921	\$ 865,455	\$ 10,538,376

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



## TOWN OF WAYLAND, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 4,188,301	\$ 315,531	\$ 4,503,832
Payments of employee salaries, benefits, and related expenses	(931,753)	-	(931,753)
Payments to vendors	<u>(1,189,576)</u>	<u>(140,648)</u>	<u>(1,330,224)</u>
Net Cash Provided By Operating Activities	2,066,972	174,883	2,241,855
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition and construction of capital assets	(807,264)	(529,005)	(1,336,269)
Proceeds from bonds	100,000	400,000	500,000
Principal payments on bonds	(955,250)	(643,636)	(1,598,886)
Intergovernmental revenue	-	4,992	4,992
Interest expense	<u>(366,774)</u>	<u>(213,515)</u>	<u>(580,289)</u>
Net Cash (Used For) Capital and Related Financing Activities	(2,029,288)	(981,164)	(3,010,452)
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	<u>11,965</u>	<u>3,138</u>	<u>15,103</u>
Net Cash Provided By Investing Activities	<u>11,965</u>	<u>3,138</u>	<u>15,103</u>
Net Change in Cash and Short-Term Investments	49,649	(803,143)	(753,494)
Cash and Short-Term Investments, Beginning of Year	<u>4,482,303</u>	<u>1,219,001</u>	<u>5,701,304</u>
Cash and Short-Term Investments, End of Year	<u>\$ 4,531,952</u>	<u>\$ 415,858</u>	<u>\$ 4,947,810</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>			
Operating income	\$ 781,679	\$ 63,122	\$ 844,801
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	526,806	149,685	676,491
Changes in assets and liabilities:			
User fees receivables	737,344	(44,299)	693,045
Accounts payable	15,832	6,375	22,207
Accrued payroll	449	-	449
Compensated absences	<u>4,862</u>	<u>-</u>	<u>4,862</u>
Net Cash Provided By Operating Activities	<u>\$ 2,066,972</u>	<u>\$ 174,883</u>	<u>\$ 2,241,855</u>

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

TOWN OF WAYLAND, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013

	Other Post- Employment Benefits <u>Trust Fund</u>	Agency <u>Fund</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ <u>10,606,911</u>	\$ <u>228,711</u>
Total Assets	10,606,911	228,711
<b><u>LIABILITIES AND NET POSITION</u></b>		
Other liabilities	<u>-</u>	<u>228,711</u>
Total Liabilities	<u>-</u>	<u>228,711</u>
<b><u>NET POSITION</u></b>		
Total net position held in trust for other post employment benefits and other purposes	\$ <u><u>10,606,911</u></u>	\$ <u><u>-</u></u>

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

TOWN OF WAYLAND, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Other Post- Employment Benefits Trust Fund
<b>Additions:</b>	
Contributions	\$ 1,978,306
Investment income	<u>747,371</u>
Total additions	<u>2,725,677</u>
<b>Deductions:</b>	
Benefits	<u>1,978,306</u>
Total deductions	<u>1,978,306</u>
Change in net position	747,371
<b>Net position:</b>	
Beginning of year	<u>9,859,540</u>
End of year	<u>\$ 10,606,911</u>

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

# TOWN OF WAYLAND, MASSACHUSETTS, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

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

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

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

*Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

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

##### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental

funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation Fund* was adopted by the Town on April 24, 2001 by a state-wide act enabling legislation to allow Cities

and Towns to choose to create a new funding source that can be used to address the following core community concerns:

- Acquisition and preservation of open space
- Creation and support of affordable housing
- Acquisition and preservation of historic buildings and landscapes
- Recreation

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

The government reports the following major proprietary funds:

- The *Water Fund* is used to report the Town's water enterprise fund operations.
- The *Wastewater Fund* is used to report the Town's wastewater enterprise fund operations.

The *Other Post-Employment Benefits Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees. It's used to account for funds to offset the anticipated cost of premium payments for retirees or direct payments to retired employees of the Town, and to any eligible surviving spouse or dependents.

The *Agency Funds* include Student Activity Funds. The agency funds account for fiduciary assets held by the Town in custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, therefore, have no measurement focus.

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

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

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

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

#### *E. Investments*

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

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

#### *F. Property Tax Limitations*

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2013 tax levy reflected an excess capacity of \$11,143,348.

#### *G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	40
Vehicles	7
Equipment	7

#### *H. Compensated Absences*

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

#### *I. Long-Term Obligations*

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

#### *J. Fund Equity*

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

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



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

- 1) Nonspendable funds represent the perpetual care trust principal, which can never be spent.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended. In the case of capital project funds, these funds are restricted for projects financed by bonds.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government, (the Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions. The remaining net position is reported as unrestricted.

#### K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and

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

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

### **A. Budgetary Information**

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

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

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

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

### **B. Budgetary Basis**

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

### **C. Budget/GAAP Reconciliation**

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

etary accounting principles to provide a meaningful comparison to budgetary data.

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 67,655,379	\$ 71,507,666
Other financing sources/uses (GAAP Basis)	<u>2,382,626</u>	<u>2,285,000</u>
Subtotal (GAAP Basis)	70,038,005	73,792,666
Adjust tax revenue to accrual basis	(875,019)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(469,657)
Add end of year appropriation carryforwards to expenditures	-	568,597
Reverse the effect of non- budgeted state contributions for police, fire, and teachers retirement	(7,427,362)	(7,427,362)
Reverse refunding	(1,314,000)	(1,360,000)
Reverse non-budgeted funds	<u>(5,768)</u>	<u>(69,352)</u>
Budgetary Basis	<u>\$ 60,415,856</u>	<u>\$ 65,034,892</u>

#### D. Deficit Fund Equity

The Town reflects several special revenue and capital project fund deficits, primarily caused by grant expenses occurring in advance of grant reimbursements and expenditures in advance of issuance of debt.

The deficits in these funds will be eliminated through future intergovernmental revenues, transfers from other and issuance of long-term debt

The following funds had deficits as of June 30, 2013:

Nonmajor Governmental Funds:

Special Revenue Funds:

FY09 Substance abuse prevention	\$	26,541
FY13 SPED grant		2,521
EMPG grant		1,500

Capital Project Funds:

High school renovations		1,498,669
Highway chapter 90		4,281
Fire equipment		1,504

Total	\$	<u>1,535,016</u>
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### 3. **Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's investment policy requires the due diligence necessary to affirm the financial strength, capital adequacy, and reputation for any financial institution in which the Town places investments. Due diligence includes reviewing the institution's financial statements and the background of the sales representatives. The Town minimizes the concentration of credit risk by diversifying the investment portfolio among financial institutions. The policy prohibits the investment of more than ten percent (10%) of cash in any single financial institution that is not fully collateralized. The Town is not in compliance with the custodial credit risk policy due to the following:

- The Town's uncollateralized cash deposits of \$3,872,472 in Century Bank exceed 10% of total cash \$(3,853,462) by \$19,010 at June 30, 2013.

As of June 30, 2013, \$16,690,050 of the Town's bank balance of \$55,642,707 was exposed to custodial credit risk as uninsured or uncollateralized; \$2,805,071 of the uncollateralized amount was invested in the state pool and \$90,184 was mitigated by SIPC/excess SIPC.

#### 4. Investments

##### A. Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-end</u>		
			<u>Aaa</u>	<u>Aa</u>	<u>A</u>
Federal agency securities	\$ 880	\$ -	\$ 880	\$ -	\$ -
US Treasury notes	194	-	194	-	-
Certificates of deposits	3,571	-	3,571	-	-
Corporate bonds	509	-	-	-	509
Mutual funds	8,811	8,811	-	-	-
Corporate equities	3,143	3,143	-	-	-
Total investments	<u>\$ 17,108</u>	<u>\$ 11,954</u>	<u>\$ 4,645</u>	<u>\$ -</u>	<u>\$ 509</u>

##### B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy for investments mirrors the custodial credit risk policy for deposits. Further all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

##### C. Concentration of Credit Risk

The Town minimized Concentration of Credit Risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investment in any one issuer (other than U.S. Treasury securities and mutual funds) that represents 5% or more of total investments is the Belmont Savings Bank certificate of deposit of \$3,002,960.

#### **D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town will manage interest rate risk by managing duration in the account. The investment policy requires investment of operating funds to have maturity of one year or less from the date of purchase.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt-related Securities:				
Federal agency securities	\$ 880	\$ -	\$ 758	\$ 122
US Treasury notes	194	-	78	116
Corporate bonds	<u>8,811</u>	<u>-</u>	<u>149</u>	<u>8,662</u>
Total	<u>\$ 9,885</u>	<u>\$ -</u>	<u>\$ 985</u>	<u>\$ 8,900</u>

#### **E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy prohibits exposure to foreign currency.

### **5. Taxes Receivable**

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

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

Taxes receivable at June 30, 2013 consist of the following:

Real Estate		
2013	\$ 657,895	
2012	73,896	
2011	<u>16,297</u>	
		748,088
Personal Property		
2013	5,289	
2012	4,931	
2011	3,555	
Prior	<u>4,149</u>	
		17,924
Community Preservation Act		8,158
Tax Title		1,064,143
Deferred Taxes		<u>394,232</u>
Total		<u>\$ 2,232,545</u>

## 6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 224,684	\$ -
Excises	67,072	-
Ambulance	68,648	-
Utilities	-	63,516

## 7. Interfund Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund transfers must be utilized.

The following is an analysis of interfund transfers made in fiscal year 2013:

	<u>Transfers In</u>	<u>Transfers out</u>
<u>Governmental Funds:</u>		
General Fund	\$ 843,967	\$ 925,000
Nonmajor Funds:		
Special Revenue Funds:		
Ambulance Revolving	-	360,000
Health Reimbursement	-	110,000
Recreation	-	346,353
Other SRF	-	27,614
Capital Project Funds:		
Capital Equipment	35,000	-
Highway Vehicles	270,000	-
Road Construction	200,000	-
Cemetery Improvement	20,000	-
DPW Capital	170,000	-
School Capital - Bus	70,000	-
School Capital - Other	110,000	-
School Technology	50,000	-
Grand Total	<u>\$ 1,768,967</u>	<u>\$ 1,768,967</u>

The \$925,000 transfer from the General fund to the various Capital Project funds represent the Town's practice of funding certain capital activity from the General fund.

The other transfers are used to either move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or use unrestricted revenues collected in the General fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):



	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 131,059	\$ 4,482	\$ -	\$ 135,541
Machinery, equipment, and furnishings	9,656	692	-	10,348
Vehicles	6,153	408	-	6,561
Infrastructure	<u>6,519</u>	<u>1,055</u>	<u>-</u>	<u>7,574</u>
Total capital assets, being depreciated	153,387	6,637	-	160,024
Less accumulated depreciation for:				
Buildings and improvements	(37,847)	(2,886)	-	(40,733)
Machinery, equipment, and furnishings	(7,628)	(784)	-	(8,412)
Vehicles	(5,068)	(386)	-	(5,454)
Infrastructure	<u>(4,648)</u>	<u>(413)</u>	<u>-</u>	<u>(5,061)</u>
Total accumulated depreciation	<u>(55,191)</u>	<u>(4,469)</u>	<u>-</u>	<u>(59,660)</u>
Total capital assets, being depreciated, net	98,196	2,168	-	100,364
Capital assets, not being depreciated:				
Land	21,580	-	-	21,580
Collections	<u>1,746</u>	<u>-</u>	<u>-</u>	<u>1,746</u>
Total capital assets, not being depreciated	<u>23,326</u>	<u>-</u>	<u>-</u>	<u>23,326</u>
Governmental activities capital assets, net	<u>\$ 121,522</u>	<u>\$ 2,168</u>	<u>\$ -</u>	<u>\$ 123,690</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 830	\$ -	\$ -	\$ 830
Machinery, equipment, and furnishings	136	169	-	305
Vehicles	505	115	-	620
Infrastructure	<u>20,970</u>	<u>1,054</u>	<u>-</u>	<u>22,024</u>
Total capital assets, being depreciated	22,441	1,338	-	23,779
Less accumulated depreciation for:				
Buildings and improvements	(124)	(21)	-	(145)
Machinery, equipment, and furnishings	(51)	(57)	-	(108)
Vehicles	(403)	(48)	-	(451)
Infrastructure	<u>(2,780)</u>	<u>(551)</u>	<u>-</u>	<u>(3,331)</u>
Total accumulated depreciation	<u>(3,358)</u>	<u>(677)</u>	<u>-</u>	<u>(4,035)</u>
Business-type activities capital assets, net	<u>\$ 19,083</u>	<u>\$ 661</u>	<u>\$ -</u>	<u>\$ 19,744</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 292,620
Public safety	412,317
Education	2,953,082
Public works	578,011
Culture and recreation	<u>234,312</u>
Total depreciation expense - governmental activities	<u>\$ 4,470,342</u>
Business-Type Activities:	
Water	\$ 526,806
Wastewater	<u>149,685</u>
Total depreciation expense - business-type activities	<u>\$ 676,491</u>

## 9. Warrants and Accounts Payable

Warrants payable represent 2013 expenditures paid by July 15, 2013.  
Accounts payable represent additional 2013 expenditures paid after July 15, 2013.

## 10. Long-Term Debt

### A. General Obligation Bonds

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

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities:</u>	<u>Through</u>		<u>as of</u>
			<u>6/30/13</u>
Buildings - Town	02/01/18	2.99-4.59%	\$ 4,096,341
Department Equipment	02/01/16	2.99-3.95%	1,119,999
Buildings - School	02/01/27	2.99-4.59%	6,705,658
School - Other	02/01/14	2.99-4.59%	1,013,002
Other - Various	02/01/25	2.99-4.69%	2,903,000
School - Buildings	02/01/36	3.40-4.54%	39,280,000
Other - Outside	02/01/19	3.95-4.25%	637,000
MWPAT Title V	07/02/25	0.00%	<u>131,977</u>
Total Governmental Activities:			<u>\$ 55,886,977</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/13</u>
Water	02/01/31	2.99-4.59%	\$ 9,287,000
MWPAT Wastewater	07/01/22	-	343,000
Wastewater Treatment Plant	02/01/31	3.95%	<u>5,015,000</u>
Total Business-Type Activities:			<u>\$ 14,645,000</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,103,948	\$ 2,241,684	\$ 7,345,632
2015	4,354,948	2,091,558	6,446,506
2016	3,924,759	1,939,064	5,863,823
2017	3,604,759	1,841,186	5,445,945
2018	3,474,759	1,726,218	5,200,977
2019-2023	12,453,804	6,955,403	19,409,207
2024-2028	9,610,000	4,792,090	14,402,090
2029-2033	8,600,000	2,457,900	11,057,900
2034-2036	<u>4,760,000</u>	<u>445,000</u>	<u>5,205,000</u>
Total	<u>\$ 55,886,977</u>	<u>\$ 24,490,103</u>	<u>\$ 80,377,080</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,083,136	\$ 567,553	\$ 1,650,689
2015	1,020,136	532,678	1,552,814
2016	1,009,942	494,842	1,504,784
2017	999,942	462,746	1,462,688
2018	994,942	435,456	1,430,398
2019-2023	4,551,902	1,565,175	6,117,077
2024-2028	3,880,000	739,938	4,619,938
2029-2031	<u>1,105,000</u>	<u>105,047</u>	<u>1,210,047</u>
Total	<u>\$ 14,645,000</u>	<u>\$ 4,903,435</u>	<u>\$ 19,548,435</u>

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

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/12	Additions	Refunding	Reductions	Total Balance 6/30/13	Less Current Portion	Equals Long-Term Portion 6/30/13
<u>Governmental Activities</u>							
Bonds payable	\$ 58,686	\$ 3,869	\$ (1,360)	\$ (5,308)	\$ 55,887	\$ (5,104)	\$ 50,783
Unamortized debt premium	1,703	225	-	(97)	1,831	(96)	1,735
Subtotal	60,389	4,094	(1,360)	(5,405)	57,718	(5,200)	52,518
Other:							
Landfill closure	356	-	-	(42)	314	(15)	299
Accrued employee benefits	1,140	-	-	(216)	924	(231)	693
Totals	\$ 61,885	\$ 4,094	\$ (1,360)	\$ (5,663)	\$ 58,956	\$ (5,446)	\$ 53,510

	Total Balance 7/1/12	Additions	Refunding	Reductions	Total Balance 6/30/13	Less Current Portion	Equals Long-Term Portion 6/30/13
<u>Business-Type Activities</u>							
Bonds payable	\$ 15,744	\$ 218	\$ (225)	\$ (1,092)	\$ 14,645	\$ (1,083)	\$ 13,562
Accrued employee benefits	33	5	-	-	38	(38)	-
Totals	\$ 15,777	\$ 223	\$ (225)	\$ (1,092)	\$ 14,683	\$ (1,121)	\$ 13,562

Compensated absences are repaid from the funds that the costs relate to, mostly general fund and also water fund.

## 11. Landfill Closure and Postclosure Care Costs

The Town's municipal solid waste landfill is closed. The Town is now working with the State Regulatory Agency (DEP) to cap the landfill. State and Federal laws and regulations require the Town to place a final cover on its landfill site after it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. On February 1, 2011, the Town borrowed \$850,000 to fund the expected costs of closure and monitoring and most of the proceeds were used in fiscal year 2012 for capping costs.

The \$314,775 reported as landfill closure and postclosure care liability at June 30, 2013 is based on remaining capping costs to be incurred after fiscal year 2013, including annual postclosure monitoring and care costs. The Town expects to complete the capping of the landfill in fiscal year 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

## 12. Deferred Inflows of Resources

The Town implemented GASB 65, *Items Previously Reported as Assets and Liabilities*. Deferred inflows of resources are the acquisition of net position by

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

The balance of the General Fund *unavailable revenues* account is equal to the total of all June 30, 2013 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

Other 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.

	Fund Basis		
	Governmental Funds		
	<u>General</u>	<u>CPA</u>	<u>Nonmajor</u>
Unavailable revenues - property taxes	\$ 1,859,025	\$ 8,157	\$ -
Unavailable revenues - excise taxes	228,394	-	-
Unavailable revenues - special assessments	54,384	-	35,198
Unavailable revenues - departmental revenues	590	-	214,511
Total	<u>\$ 2,142,393</u>	<u>\$ 8,157</u>	<u>\$ 249,709</u>

### 13. Governmental Fund Balances

The following is a breakdown of the Town's governmental fund balances at June 30, 2013:

	<u>General</u> <u>Fund</u>	<u>Community</u> <u>Preservation</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Nonspendable:				
Nonexpendable permanent funds	\$ -	\$ -	\$ 1,151,922	\$ 1,151,922
Total Nonexpendable	-	-	1,151,922	1,151,922
Restricted:				
Debt service	1,260,811	-	-	1,260,811
Community preservation	-	8,771,108	-	8,771,108
Town special revenue accounts:				
Ambulance	-	-	1,377,479	1,377,479
Receipts reserved for sale of real estate	-	-	575,185	575,185
Transfer station	-	-	318,377	318,377
Cafeteria plan	-	-	153,999	153,999
Receipts reserved for sale of cemetery lots	-	-	147,959	147,959
Town center revolving	-	-	137,181	137,181
Turf field	-	-	134,691	134,691
Receipts reserved for concom receipts	-	-	118,007	118,007
Other town grants and revolving accounts	-	-	1,056,336	1,056,336
School special revenue accounts:				
Before and after school program	-	-	555,631	555,631
SPED Circuit Breaker	-	-	347,666	347,666
PEGASUS	-	-	292,088	292,088
The Children's Way	-	-	236,283	236,283
Transportation fees	-	-	148,000	148,000
School lunch	-	-	100,877	100,877
Other school grants and revolving accounts	-	-	551,599	551,599
Town capital project accounts:				

(continued)

(continued)

	General <u>Fund</u>	Community Preservation <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Public safety building repairs	-	-	437,416	437,416
New DPW facility study	-	-	174,650	174,650
Drainage improvements	-	-	116,614	116,614
Assessor equipment	-	-	106,231	106,231
Other capital project funds	-	-	696,417	696,417
School capital project accounts:				
Middle school roof			1,365,815	1,365,815
FY09 capital building repairs	-	-	227,890	227,890
FY13 capital building repairs			190,000	190,000
Other capital project funds	-	-	190,824	190,824
Expendable permanent funds	-	-	1,842,793	1,842,793
Total Restricted	1,260,811	8,771,108	11,600,008	21,631,927
Committed:				
Stabilization	1,539,121	-	-	1,539,121
Septage	183,764	-	-	183,764
School	44,846	-	-	44,846
Total Committed	1,767,731	-	-	1,767,731
Assigned:				
Encumbrances	568,597	-	-	568,597
Use of fund balance for fiscal 14	3,995,000	-	-	3,995,000
Non-insurance	1,187,601	-	-	1,187,601
Total Assigned	5,751,198	-	-	5,751,198
Unassigned:				
General fund	7,878,161			7,878,161
High school completion	-	-	(1,498,669)	(1,498,669)
Other nonmajor	-	-	(36,347)	(36,347)
Total Unassigned	7,878,161	-	(1,535,016)	6,343,145
Total Fund Balance	\$ 16,657,901	\$ 8,771,108	\$ 11,216,914	\$ 36,645,923

#### 14. Unassigned Fund Balance and Unrestricted Net Position

The following are reconciliations of unassigned fund balance/unrestricted net position as reported under generally accepted accounting principles with available statutory amounts.

	General <u>Fund</u>
Unassigned fund balance, June 30, 2013	\$ 7,878,161
Allowance for abatements, (reserved statutorily)	(1,802,769)
High School Completion Deficit	(1,498,669)
"60-day rule"	(365,361)
Other adjustments	(119,401)
Certified free cash, July 1, 2013	\$ 4,091,961

	Water Fund	Wastewater Fund	Total
Unrestricted net assets, GAAP	\$ 4,337,180	\$ 664,381	\$ 5,001,561
Recognize deferred revenue	(556,801)	(385,142)	(941,943)
Remove accrued interest	270,902	-	270,902
Remove compensated absences	37,713	-	37,713
Funds assigned for FY 13	(1,501,019)	(15,919)	(1,516,938)
Other funds assigned	<u>(106,101)</u>	<u>(9,929)</u>	<u>(116,030)</u>
Available funds	\$ <u>2,481,874</u>	\$ <u>253,391</u>	\$ <u>2,735,265</u>

## 15. **Commitments and Contingencies**

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

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the Town's Counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

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

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

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

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

*A. Plan Description*

In addition to providing the pension benefits described, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of December 31, 2012, the actuarial valuation date, approximately 457 retirees and 436 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

*C. Funding Policy*

Retirees contribute various amounts of the cost of the health plan, as determined by the Town. The Town contributed the remainder of the health plan costs on a pre-funded basis prior to fiscal year 2013. In fiscal year 2013, the town contributed 75% of the annual OPEB cost.

The Town has established an OPEB trust in accordance with State legislature, through which assets are accumulated and benefits are paid as they come due. Employer contributions to the plan are irrevocable. Plan assets are dedicated to providing benefits to retirees and their spouses in accordance with the terms of the plan, and plan assets are legally protected from creditors of the employer.

*D. Annual OPEB Costs and Net OPEB Asset*

The Town's fiscal 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the plan, and the change in the Town's net OPEB asset based on an actuarial valuation as of December 31, 2012:



	Actuarially Determined Amounts	Other Town Amounts	Total
Annual Required Contribution (ARC)	\$ 2,699,019	\$ -	\$ 2,699,019
Interest on net OPEB obligation	(334,189)	-	(334,189)
Adjustment to ARC	279,080	-	279,080
Annual OPEB cost	2,643,910	-	2,643,910
Contributions made	1,978,306	-	1,978,306
Increase (decrease) in net OPEB asset	\$ (665,604)	\$ -	(665,604)
Net OPEB asset - beginning of year			4,774,123
Net OPEB asset - end of year			\$ 4,108,519

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset were as follows:

Fiscal year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Asset
2013	\$ 2,643,910	74.8%	\$ 4,108,519
2012	\$ 3,614,689	140.9%	\$ 4,774,123
2011	\$ 3,560,074	147.1%	\$ 3,294,846
2010	\$ 3,138,586	127.3%	\$ 1,618,922
2009	\$ 3,020,926	100.4%	\$ 763,238

Also see Town's unaudited Supplementary Information on pages 50 and 51.

*E. Funded Status and Funding Progress*

The funded status of the plan as of December 31, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 38,537,958
Actuarial value of plan assets	(10,224,733)
Unfunded actuarial accrued liability (UAAL)	\$ 28,313,225
Funded ratio (actuarial value of plan assets/AAL)	26.53%
Estimated Covered payroll (active plan members)	\$ 39,339,000
UAAL as a percentage of covered payroll	71.97%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future

employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

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

In the December 31, 2012 actuarial valuation the projected unit credit cost method was used. The actuarial assumptions included a 7.0% investment rate of return and an initial annual healthcare cost trend rate of 10.0% which decreases to a 5.0% long-term rate for all healthcare benefits after seven years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.5%.

**17. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases.

*A. Plan Description*

The Town contributes to the Middlesex Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can

be obtained through the Middlesex Retirement System at 25 Linnell Circle, Billerica, Massachusetts 01865.

**B. 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 remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2013, 2012, and 2011 were \$3,171,056, \$3,420,633, and \$3,140,204, respectively, which were equal to its annual required contributions for each of these years. The payroll for employees covered by the System for the year ended June 30, 2013 was approximately \$16,470,000.

**C. Teachers**

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

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

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

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

The Town's current year covered payroll for teachers and administrators was approximately \$21,900,000.

In fiscal year 2013, the Commonwealth of Massachusetts contributed \$7,427,362 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

**18. Risk Management**

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

**19. Implementation of New GASB Standards**

The GASB has issued Statement 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Middlesex County Retirement System's actuarially accrued liability.

**TOWN OF WAYLAND, MASSACHUSETTS**  
**SCHEDULE OF FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2013**  
**(Unaudited)**  
**(Amounts Expressed in Thousands)**

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
12/31/12	\$ 10,225	\$ 38,538	28,313	26.5%	\$ 39,339	72.0%
12/31/10	3,763	49,476	45,713	7.6%	38,000	120.3%
12/31/08	764	40,852	40,088	1.9%	35,600	112.6%

**MIDDLESEX COUNTY RETIREMENT SYSTEM**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**(Unaudited)**  
**(Amounts Expressed in Thousands)**

**Employees' 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 Percent- age of Covered Payroll [(b-a)/c]
01/01/12	\$ 862,323	\$ 1,974,144	\$ 1,111,821	43.7%	\$ 393,100	282.8%
01/01/10	819,987	1,743,581	923,594	47.0%	384,933	239.9%
01/01/08	774,863	1,529,806	754,943	50.7%	360,206	209.6%
01/01/06	653,156	1,223,828	570,672	53.4%	330,999	172.4%
01/01/04	599,699	1,020,828	421,129	58.7%	306,025	137.6%

**Employees' Retirement System**  
**Schedule of Employer Contributions**

System Wide				Town of Wayland	
Plan Year-end	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of System Wide Actual Contributions
12/31/12	\$ 81,701	\$ 81,701	100%	\$ 3,171	3.9%
12/31/11	78,100	78,100	100%	3,420	4.4%
12/31/10	74,126	74,126	100%	3,140	4.2%

See Independent Auditors' Report.

**TOWN OF WAYLAND, MASSACHUSETTS**  
**SCHEDULE OF FUNDING PROGRESS, NET OPEB ASSET, AND OPEB TRUST BALANCE**  
**Supplementary Information**

**June 30, 2013**  
**(Unaudited)**

<b>Other Post-Employment Benefits</b>												
<b>Fiscal Year Ended June 30,</b>	<b>Annual Required Contribution (a)</b>	<b>Interest on Existing NOO/(NOA) (b)</b>	<b>ARC Adjustment (c)</b>	<b>Annual OPEB Cost (a) + (b) + (c) = (d)</b>	<b>Actual Contribution Amount (e)</b>	<b>Net Increase in NOO/(NOA) (d) - (e) = (f)</b>	<b>NOO/(NOA) as of Following Date (g)</b>	<b>Benefit Payments (h)</b>	<b>Net Contributions (e) - (h) = (i)</b>	<b>Estimated Earnings or Other (j)</b>	<b>Net Increase in Trust (i) - (j) = (k)</b>	<b>Trust Fund Balance as of Year-end (l)</b>
2013	\$ 2,699,019	\$ (334,189)	\$ 279,080	\$ 2,643,910	\$ 1,978,306	\$ 665,604	\$ (4,774,123)	\$ 1,978,306	\$ -	\$ 747,371	\$ 747,371	\$ 10,229,107
2012	3,657,200	(230,639)	188,128	3,614,689	5,093,966	(1,479,277)	(3,098,199)	2,293,966	2,800,000	138,380	2,661,620	9,481,736
2011	3,582,995	(113,325)	90,404	3,560,074	5,235,998	(1,675,924)	(3,294,846)	2,085,998	3,150,000	17,530	3,132,470	6,820,116
2010	3,151,684	(57,243)	44,145	3,138,586	3,994,270	(855,684)	(1,618,922)	2,133,951	1,860,319	12,520	1,847,799	3,687,646
2009	3,033,020	(56,250)	44,156	3,020,926	3,034,164	(13,238)	(763,238)	1,923,845	1,110,319	20,472	1,089,847	1,839,847
2008	N/A	N/A	N/A	N/A	750,000	N/A	(750,000)	-	750,000	-	750,000	750,000

See Independent Auditors Report.