

**TOWN OF WAYLAND, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Wayland, Massachusetts

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, as of and for the year ended June 30, 2011, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wayland's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis appearing on the following pages, and the supplementary information appearing on page 47, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management

*Additional Offices:*

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
November 22, 2011

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

As management of the Town of Wayland, we offer readers this narrative overview and analysis of the financial activities of the Town of Wayland for the fiscal year ended June 30, 2011. **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 assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 information 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 \$ 100,679 (i.e., net assets), a change of \$ 16,173 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 56,345, a change of \$ 12,983 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 14,092, a change of \$ 3,543 in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 78,290, a change of \$ 37,616 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 76,514	\$ 51,770	\$ 9,883	\$ 8,771	\$ 86,397	\$ 60,541
Capital assets	97,924	62,203	15,689	14,467	113,613	76,670
Total assets	<u>174,438</u>	<u>113,973</u>	<u>25,572</u>	<u>23,238</u>	<u>200,010</u>	<u>137,211</u>
Long-term liabilities outstanding	65,953	32,191	16,268	15,223	82,221	47,414
Other liabilities	16,712	5,209	399	82	17,111	5,291
Total liabilities	<u>82,665</u>	<u>37,400</u>	<u>16,667</u>	<u>15,305</u>	<u>99,332</u>	<u>52,705</u>
Net assets:						
Invested in capital assets, net	43,980	31,839	3,464	3,156	47,444	34,995
Restricted	1,290	1,143	-	-	1,290	1,143
Unrestricted	46,503	43,591	5,442	4,777	51,945	48,368
Total net assets	<u>\$ 91,773</u>	<u>\$ 76,573</u>	<u>\$ 8,906</u>	<u>\$ 7,933</u>	<u>\$ 100,679</u>	<u>\$ 84,506</u>

### CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 7,728	\$ 8,349	\$ 4,260	\$ 4,330	\$ 11,988	\$ 12,679
Operating grants and contributions	9,952	8,483	-	-	9,952	8,483
General revenues:						
Property taxes	56,879	54,075	-	-	56,879	54,075
Excises	1,989	1,928	-	-	1,989	1,928
Grants and contributions not restricted to specific programs	13,071	7,703	-	-	13,071	7,703
Investment income	831	400	25	-	856	400
Other	76	160	-	-	76	160
<b>Total revenues</b>	<u>90,526</u>	<u>81,098</u>	<u>4,285</u>	<u>4,330</u>	<u>94,811</u>	<u>85,428</u>
<b>Expenses:</b>						
General government	4,300	4,131	-	-	4,300	4,131
Public safety	6,061	5,660	-	-	6,061	5,660
Education	45,904	44,083	-	-	45,904	44,083
Public works	3,087	2,702	-	-	3,087	2,702
Human services	1,090	1,125	-	-	1,090	1,125
Culture and recreation	2,585	2,498	-	-	2,585	2,498
Employee benefits	10,045	11,391	-	-	10,045	11,391
Intergovernmental	186	192	-	-	186	192
Interest on long-term debt	1,789	962	-	-	1,789	962
Sanitation	279	289	-	-	279	289
Water	-	-	3,054	2,586	3,054	2,586
Wastewater	-	-	258	269	258	269
<b>Total expenses</b>	<u>75,326</u>	<u>73,033</u>	<u>3,312</u>	<u>2,855</u>	<u>78,638</u>	<u>75,888</u>
 Increase in net assets	 15,200	 8,065	 973	 1,475	 16,173	 9,540
Net assets - beginning of year (as restated)	<u>76,573</u>	<u>68,508</u>	<u>7,933</u>	<u>6,458</u>	<u>84,506</u>	<u>74,966</u>
Net assets - end of year	<u>\$ 91,773</u>	<u>\$ 76,573</u>	<u>\$ 8,906</u>	<u>\$ 7,933</u>	<u>\$ 100,679</u>	<u>\$ 84,506</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 100,679, a change of \$ 16,173 from the prior year.

The largest portion of net assets \$ 47,444 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 assets \$ 1,290 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 51,945 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 assets of \$ 15,200. Key elements of this change are as follows:

General fund revenues over expenditures, (as discussed further in Section D)	\$ 2,846
Special revenue and permanent fund revenues over expenditures	1,658
Capital project transfers and intergovernmental revenues used for capital assets	9,770
Change in net OPEB asset	1,676
Other	<u>(750)</u>
Total	<u>\$ 15,200</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 973. Key elements of this change are as follows:

Water operations	\$ 993
Wastewater operations	<u>(20)</u>
Total	<u>\$ 973</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 \$ 56,345, a change of \$ 12,983 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues over expenditures	\$ 2,846
Premium on issuance of bonds	1,851
CPA fund revenues over expenditures	826
Special revenue and permanent fund revenues over expenditures	1,658
Excess of current year bond proceeds and intergovernmental revenues over current year capital expenditures	<u>5,802</u>
Total	<u>\$ 12,983</u>

In fiscal year 2011, the Town implemented *Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Additionally, amounts previously reported in stabilization funds, are now required to be presented as committed fund balance in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 14,092, while total fund balance was \$ 22,949. 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>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>	% of Total General Fund Expenditures <u>at 6/30/11</u>
Unassigned fund balance	\$ 14,092	\$ 10,549	\$ 3,543	21%
Total fund balance <sup>1</sup>	22,949	17,735	5,214	33%

<sup>1</sup>Now includes stabilization fund. Prior period balances have been revised to conform to current presentation.

The total fund balance of the general fund changed by \$ 5,214 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ 670
Revenues in excess of budget	3,359
Expenditures less than budget	2,528
Expenditures of prior year encumbrances	(2,551)
Current year encumbrances	1,046
Other	<u>162</u>
Total	<u>\$ 5,214</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 assets of the enterprise funds at the end of the year amounted to \$ 5,442, a change of \$ 665 in comparison with 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**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 369, which was funded by use of free cash.

Major reasons for revenues exceeding the budget include:

- Premium from issuance of debt of \$ 1,851.
- An increase in building permits of \$ 187 over prior year.
- An increase in motor vehicle receipts of \$ 130, the first increase in several years.

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 113,613 (net of accumulated depreciation), a change of \$ 36,943 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 renovation of \$ 37,191.

- Highway infrastructure improvements of \$ 440.
- Town building improvements of \$ 370.
- School technology equipment of \$ 601.
- Water Baldwin Plant improvement of \$ 269.
- Water C&L Old Sudbury/Gleezan improvements of \$ 367.
- Wastewater plant improvements of \$ 913.

Additional information on capital assets can be found in the footnotes 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 \$ 78,290, 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 footnotes to the financial statements.

## **REQUESTS FOR INFORMATION**

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

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

## TOWN OF WAYLAND, MASSACHUSETTS

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 74,618,695	\$ -	\$ 74,618,695
Investments	5,678,296	-	5,678,296
Receivables, net of allowance for uncollectibles:			
Property taxes	733,620	-	733,620
Excises	95,977	-	95,977
User fees	-	926,822	926,822
Intergovernmental	49,140	-	49,140
Internal balances	<u>(8,956,633)</u>	<u>8,956,633</u>	<u>-</u>
Total current assets	72,219,095	9,883,455	82,102,550
Noncurrent:			
Property taxes	999,598	-	999,598
Net OPEB asset	3,294,846	-	3,294,846
Capital assets:			
Nondepreciable capital assets	23,326,333	-	23,326,333
Other capital assets, net of accumulated depreciation	<u>74,597,802</u>	<u>15,688,858</u>	<u>90,286,660</u>
Total noncurrent assets	<u>102,218,579</u>	<u>15,688,858</u>	<u>117,907,437</u>
<b>TOTAL ASSETS</b>	174,437,674	25,572,313	200,009,987
<b>LIABILITIES</b>			
Current:			
Accounts payable	5,927,637	213,467	6,141,104
Accrued liabilities	1,154,131	147,777	1,301,908
Accrued payroll and withholdings	880,504	-	880,504
Due to fiduciary	7,195,013	-	7,195,013
Guaranteed deposits payable	1,267,680	-	1,267,680
Other liabilities	287,663	-	287,663
Current portion of long-term liabilities:			
Bonds and loans payable	5,346,226	1,033,886	6,380,112
Other liabilities	<u>1,055,927</u>	<u>37,348</u>	<u>1,093,275</u>
Total current liabilities	23,114,781	1,432,478	24,547,259
Noncurrent:			
Bonds and loans payable, net of current portion	56,676,030	15,233,768	71,909,798
Other liabilities, net of current portion	<u>2,874,353</u>	<u>-</u>	<u>2,874,353</u>
Total noncurrent liabilities	<u>59,550,383</u>	<u>15,233,768</u>	<u>74,784,151</u>
<b>TOTAL LIABILITIES</b>	82,665,164	16,666,246	99,331,410
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	43,980,171	3,464,405	47,444,576
Restricted externally or constitutionally for:			
Loan and grant programs	393,766	-	393,766
Permanent fund:			
Nonspendable	895,610	-	895,610
Unrestricted	<u>46,502,963</u>	<u>5,441,662</u>	<u>51,944,625</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 91,772,510</u>	<u>\$ 8,906,067</u>	<u>\$ 100,678,577</u>

## TOWN OF WAYLAND, MASSACHUSETTS

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business-	
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Activities</u>	<u>Type</u>	<u>Total</u>
			<u>Contributions</u>	<u>Contributions</u>		<u>Activities</u>	
<b>Governmental Activities:</b>							
General government	\$ 4,300,088	\$ 613,085	\$ 498,255	\$ -	\$ (3,188,748)	\$ -	\$ (3,188,748)
Public safety	6,060,874	1,324,244	51,484	-	(4,685,146)	-	(4,685,146)
Education	45,904,253	4,181,028	9,351,653	-	(32,371,572)	-	(32,371,572)
Public works	3,087,424	15,117	16,089	-	(3,056,218)	-	(3,056,218)
Sanitation	279,292	6,297	-	-	(272,995)	-	(272,995)
Health and human services	1,089,675	681,924	17,395	-	(390,356)	-	(390,356)
Culture and recreation	2,584,997	906,393	16,913	-	(1,661,691)	-	(1,661,691)
Intergovernmental	186,244	-	-	-	(186,244)	-	(186,244)
Employee benefits	10,044,785	-	-	-	(10,044,785)	-	(10,044,785)
Interest	<u>1,788,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,788,480)</u>	<u>-</u>	<u>(1,788,480)</u>
Total Governmental Activities	75,326,112	7,728,088	9,951,789	-	(57,646,235)	-	(57,646,235)
<b>Business-Type Activities:</b>							
Water services	3,054,167	4,047,849	-	-	-	993,682	993,682
Wastewater services	<u>257,876</u>	<u>212,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,736)</u>	<u>(45,736)</u>
Total Business-Type Activities	<u>3,312,043</u>	<u>4,259,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>947,946</u>	<u>947,946</u>
Total	<u>\$ 78,638,155</u>	<u>\$ 11,988,077</u>	<u>\$ 9,951,789</u>	<u>\$ -</u>	(57,646,235)	947,946	(56,698,289)
<b>General Revenues:</b>							
					56,878,601	-	56,878,601
					1,988,841	-	1,988,841
					13,070,980	-	13,070,980
					830,822	25,390	856,212
					<u>76,518</u>	<u>-</u>	<u>76,518</u>
					<u>72,845,762</u>	<u>25,390</u>	<u>72,871,152</u>
					15,199,527	973,336	16,172,863
<b>Net Assets:</b>							
					<u>76,572,983</u>	<u>7,932,731</u>	<u>84,505,714</u>
					\$ 91,772,510	\$ 8,906,067	\$ 100,678,577

See notes to financial statements.

## TOWN OF WAYLAND, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2011

	<u>General</u>	<u>Community Preservation Fund</u>	<u>High School Renovation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 74,618,695	\$ -	\$ -	\$ -	\$ 74,618,695
Investments	5,678,296	-	-	-	5,678,296
Receivables:					
Property taxes	1,943,098	8,415	-	-	1,951,513
Excises	145,344	-	-	-	145,344
Intergovernmental	-	-	-	49,140	49,140
Due from other funds	-	7,420,492	13,225,296	17,502,381	38,148,169
<b>TOTAL ASSETS</b>	<b>\$ 82,385,433</b>	<b>\$ 7,428,907</b>	<b>\$ 13,225,296</b>	<b>\$ 17,551,521</b>	<b>\$ 120,591,157</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Warrants and accounts payable	\$ 1,125,887	\$ -	\$ -	\$ 4,801,750	\$ 5,927,637
Accrued payroll and withholdings	880,504	-	-	-	880,504
Deferred revenues	1,862,541	8,415	-	-	1,870,956
Guaranteed deposits payable	1,267,680	-	-	-	1,267,680
Due to other funds	54,299,815	-	-	-	54,299,815
<b>TOTAL LIABILITIES</b>	<b>59,436,427</b>	<b>8,415</b>	<b>-</b>	<b>4,801,750</b>	<b>64,246,592</b>
Fund Balances:					
Nonspendable	-	-	-	895,610	895,610
Restricted	1,505,377	7,420,492	13,225,296	11,854,161	34,005,326
Committed	2,375,309	-	-	-	2,375,309
Assigned	4,976,110	-	-	-	4,976,110
Unassigned (See note 15)	14,092,210	-	-	-	14,092,210
<b>TOTAL FUND BALANCES</b>	<b>22,949,006</b>	<b>7,420,492</b>	<b>13,225,296</b>	<b>12,749,771</b>	<b>56,344,565</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 82,385,433</b>	<b>\$ 7,428,907</b>	<b>\$ 13,225,296</b>	<b>\$ 17,551,521</b>	<b>\$ 120,591,157</b>

See notes to financial statements.

TOWN OF WAYLAND, MASSACHUSETTS

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

JUNE 30, 2011

<b>Total governmental fund balances</b>	\$ 56,344,565
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	97,924,135
• Net Other Post Employment Benefits asset is reported on the statement of net assets, and not reported in the funds.	3,294,846
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,603,294
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(1,154,131)
• Other liabilities, that are not considered liabilities in the funds.	(287,663)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable	(62,022,256)
Unamortized debt premium	(1,777,087)
Landfill liability	(991,445)
Compensated absences liability	<u>(1,161,748)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 91,772,510</u></u>

See notes to financial statements.



## TOWN OF WAYLAND, MASSACHUSETTS

## GOVERNMENTAL FUNDS

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

FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Community Preservation Fund</u>	<u>High School Renovation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 56,019,406	\$ 686,378	\$ -	\$ -	\$ 56,705,784
Excise taxes	2,011,717	-	-	-	2,011,717
Licenses and permits	782,626	-	-	-	782,626
Intergovernmental	11,413,276	179,104	9,253,641	3,208,395	24,054,416
Charges for services	846,817	-	-	6,094,020	6,940,837
Investment income	307,771	30,502	-	492,549	830,822
Fines and forfeitures	62,604	-	-	-	62,604
Other revenue	2,473	-	-	-	2,473
Total Revenues	<u>71,446,690</u>	<u>895,984</u>	<u>9,253,641</u>	<u>9,794,964</u>	<u>91,391,279</u>
<b>Expenditures:</b>					
Current:					
General government	3,577,763	70,029	-	676,976	4,324,768
Public safety	5,458,877	-	-	153,424	5,612,301
Education	37,674,502	-	-	5,962,851	43,637,353
Public works	2,387,786	-	-	68,639	2,456,425
Sanitation	57,038	-	-	-	57,038
Health and human services	1,009,396	-	-	80,279	1,089,675
Culture and recreation	1,516,552	-	-	870,328	2,386,880
Employee benefits	11,720,709	-	-	-	11,720,709
Intergovernmental	186,244	-	-	-	186,244
Debt service:					
Principal	3,912,250	-	-	16,476	3,928,726
Interest	1,099,081	-	-	-	1,099,081
Capital outlay	-	-	37,190,646	2,569,076	39,759,722
Total Expenditures	<u>68,600,198</u>	<u>70,029</u>	<u>37,190,646</u>	<u>10,398,049</u>	<u>116,258,922</u>
Excess (deficiency) of revenues over expenditures	2,846,492	825,955	(27,937,005)	(603,085)	(24,867,643)
<b>Other Financing Sources (Uses):</b>					
Issuance of bonds	-	-	33,000,000	3,000,000	36,000,000
Premium	1,851,132	-	-	-	1,851,132
Transfers in	516,130	-	-	-	516,130
Transfers out	-	-	-	(516,130)	(516,130)
Total Other Financing Sources (Uses)	<u>2,367,262</u>	<u>-</u>	<u>33,000,000</u>	<u>2,483,870</u>	<u>37,851,132</u>
Net change in fund balances	5,213,754	825,955	5,062,995	1,880,785	12,983,489
Fund Balances, at Beginning of Year, as restated	<u>17,735,252</u>	<u>6,594,537</u>	<u>8,162,301</u>	<u>10,868,986</u>	<u>43,361,076</u>
Fund Balances, at End of Year	<u>\$ 22,949,006</u>	<u>\$ 7,420,492</u>	<u>\$ 13,225,296</u>	<u>\$ 12,749,771</u>	<u>\$ 56,344,565</u>

See notes to 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, 2011

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 12,983,489</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: <ul style="list-style-type: none"> <li>Capital outlay purchases, net of disposals 39,477,396</li> <li>Depreciation (3,755,900)</li> </ul> </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 revenue. (939,686)</li> <li>Change in net OPEB asset 1,675,924</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 assets: <ul style="list-style-type: none"> <li>Repayments of debt 3,928,726</li> <li>Issuance of bonds (36,000,000)</li> <li>Deferred bond premium (1,851,132)</li> <li>Deferred debt amortization 74,045</li> </ul> </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. (689,399)</li> <li>Change in other liabilities (140,842)</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. <ul style="list-style-type: none"> <li>Compensated absences 154,579</li> <li>Landfill 282,327</li> </ul> </li> </ul>	
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 15,199,527</b>

See notes to financial statements.

## TOWN OF WAYLAND, MASSACHUSETTS

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Amounts</u>	
<b>Revenues and Other Sources:</b>				
Property tax	\$ 54,451,024	\$ 54,451,024	\$ 54,451,024	\$ -
Intergovernmental	4,462,260	4,462,260	4,416,225	(46,035)
Motor vehicle & other excise tax	1,770,000	1,770,000	2,162,119	392,119
Penalties & interest	180,000	180,000	148,756	(31,244)
In-lieu payments	30,000	30,000	55,068	25,068
Departmental fees & charges	750,000	750,000	913,352	163,352
Licenses & permits	400,000	400,000	782,626	382,626
Special assessments	5,000	5,000	11,453	6,453
Fines & forfeits	40,000	40,000	62,604	22,604
Investment income	150,000	150,000	311,779	161,779
Bond premium	-	-	1,851,132	1,851,132
Available funds	300,612	669,632	669,632	-
Transfers from other funds	<u>360,000</u>	<u>360,000</u>	<u>791,130</u>	<u>431,130</u>
Total Revenues and Other Sources	62,898,896	63,267,916	66,626,900	3,358,984
<b>Expenditures and Other Uses:</b>				
Current:				
General government	3,720,029	3,935,874	3,481,875	453,999
Public safety	5,486,240	5,667,763	5,422,694	245,069
Education	30,986,713	30,986,713	30,320,719	665,994
Public works	2,150,962	2,414,009	2,207,057	206,952
Health and human services	1,036,458	1,049,018	1,004,340	44,678
Culture & recreation	1,477,559	1,517,944	1,499,650	18,294
State & county assessments	263,086	263,086	186,244	76,842
Pension	3,140,204	3,140,204	3,140,204	-
Unclassified	9,377,000	9,032,660	8,221,205	811,455
Debt service	4,985,645	4,985,645	4,981,331	4,314
Transfers out	<u>275,000</u>	<u>275,000</u>	<u>275,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>62,898,896</u>	<u>63,267,916</u>	<u>60,740,319</u>	<u>2,527,597</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,886,581</u>	\$ <u>5,886,581</u>

See notes to financial statements.

## TOWN OF WAYLAND, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<b><u>ASSETS</u></b>			
Current:			
User fees receivable	\$ 624,673	\$ 302,149	\$ 926,822
Due from other funds	<u>4,481,056</u>	<u>4,475,577</u>	<u>8,956,633</u>
Total current assets	5,105,729	4,777,726	9,883,455
Noncurrent:			
Capital assets:			
Other capital assets, net of accumulated depreciation	<u>13,742,956</u>	<u>1,945,902</u>	<u>15,688,858</u>
Total noncurrent assets	<u>13,742,956</u>	<u>1,945,902</u>	<u>15,688,858</u>
<b>TOTAL ASSETS</b>	<b>18,848,685</b>	<b>6,723,628</b>	<b>25,572,313</b>
<b><u>LIABILITIES</u></b>			
Current:			
Accounts payable	55,019	158,448	213,467
Accrued liabilities	147,777	-	147,777
Current portion of long-term liabilities:			
Bonds and loans payable	825,250	208,636	1,033,886
Compensated absences	<u>37,348</u>	<u>-</u>	<u>37,348</u>
Total current liabilities	1,065,394	367,084	1,432,478
Noncurrent:			
Bonds and loans payable, net of current portion	<u>10,042,250</u>	<u>5,191,518</u>	<u>15,233,768</u>
Total noncurrent liabilities	<u>10,042,250</u>	<u>5,191,518</u>	<u>15,233,768</u>
<b>TOTAL LIABILITIES</b>	<b>11,107,644</b>	<b>5,558,602</b>	<b>16,666,246</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	3,262,069	202,336	3,464,405
Unrestricted	<u>4,478,972</u>	<u>962,690</u>	<u>5,441,662</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>7,741,041</u></b>	<b>\$ <u>1,165,026</u></b>	<b>\$ <u>8,906,067</u></b>

See notes to financial statements.

## TOWN OF WAYLAND, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 4,047,849	\$ 212,140	\$ 4,259,989
Total Operating Revenues	4,047,849	212,140	4,259,989
<b>Operating Expenses:</b>			
Personal services	953,603	-	953,603
Nonpersonnel	1,162,456	127,798	1,290,254
Depreciation	430,738	55,337	486,075
Total Operating Expenses	2,546,797	183,135	2,729,932
Operating Income	1,501,052	29,005	1,530,057
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	-	25,390	25,390
Interest expense	(507,370)	(74,741)	(582,111)
Total Nonoperating Revenues (Expenses), Net	(507,370)	(49,351)	(556,721)
Change in Net Assets	993,682	(20,346)	973,336
Net Assets at Beginning of Year, as restated	6,747,359	1,185,372	7,932,731
Net Assets at End of Year	\$ 7,741,041	\$ 1,165,026	\$ 8,906,067

See notes to financial statements.

## TOWN OF WAYLAND, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 4,013,160	\$ 181,457	\$ 4,194,617
Receipts (payments) for interfund services provided	(1,320,758)	274,168	(1,046,590)
Payments of employee salaries, benefits, and related expenses	(916,255)	-	(916,255)
Payments to vendors	(1,188,039)	28,430	(1,159,609)
Net Cash Provided By Operating Activities	588,108	484,055	1,072,163
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition and construction of capital assets	(795,765)	(912,590)	(1,708,355)
Proceeds from bonds	1,370,000	5,000,000	6,370,000
Principal payments on notes	-	(4,500,000)	(4,500,000)
Principal payments on bonds	(802,750)	(22,114)	(824,864)
Interest expense	(359,593)	(74,741)	(434,334)
Net Cash (Used For) Capital and Related Financing Activities	(588,108)	(509,445)	(1,097,553)
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	-	25,390	25,390
Net Cash Provided By Investing Activities	-	25,390	25,390
Net Change in Cash and Short-Term Investments	-	-	-
Cash and Short-Term Investments, Beginning of Year	-	-	-
Cash and Short-Term Investments, End of Year	\$ -	\$ -	\$ -
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>			
Operating income	\$ 1,501,052	\$ 29,005	\$ 1,530,057
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	430,738	55,337	486,075
Changes in assets and liabilities:			
User fees receivables	(34,689)	(30,683)	(65,372)
Due from other funds	(1,320,758)	274,168	(1,046,590)
Accounts payable	(25,583)	156,228	130,645
Compensated absences	37,348	-	37,348
Net Cash Provided By Operating Activities	\$ 588,108	\$ 484,055	\$ 1,072,163

See notes to financial statements.

TOWN OF WAYLAND, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2011

	Other Post Employment Benefits <u>Trust Fund</u>	Agency <u>Fund</u>
<b><u>ASSETS</u></b>		
Due from other funds	\$ <u>6,921,160</u>	\$ <u>273,853</u>
Total Assets	6,921,160	273,853
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Other liabilities	<u>-</u>	<u>273,853</u>
Total Liabilities	<u>-</u>	<u>273,853</u>
<b><u>NET ASSETS</u></b>		
Total net assets held in trust for other post employment benefits and other purposes	\$ <u><u>6,921,160</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF WAYLAND, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Other Post Employment Benefits <u>Trust Fund</u>
<b>Additions:</b>	
Contributions	\$ 3,150,000
Investment Income:	<u>17,530</u>
Total additions	3,167,530
<b>Net assets:</b>	
Beginning of year, as restated	<u>3,753,630</u>
End of year	\$ <u><u>6,921,160</u></u>

See notes to financial statements.



# TOWN OF WAYLAND, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Wayland (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. In fiscal year 2011, it was determined that no entities met the required GASB 39 criteria of component units.

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

##### Government-Wide Financial Statements

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

##### Fund Financial Statements

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

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

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 three core community concerns:

- Acquisition and preservation of open space
  - Creation and support of affordable housing
  - Acquisition and preservation of historic buildings and landscapes
- The *High School Renovation Fund* accounts for capital improvements to the High School and related funding.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

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

#### 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 2011 tax levy reflected an excess capacity of \$ 21,000.

*G. Interfund Receivables and Payables*

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., short-term interfund loans).

*H. 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.

Property, plant and equipment is 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

*I. 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.

*J. 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 assets.

*K. 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 assets".

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 (i.e., 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 Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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 assets are 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 assets are 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. All other net assets are reported as unrestricted.

#### *L. 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 budgetary accounting principles to provide a meaningful comparison with 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>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 71,446,690	\$ 68,600,198
Other financing sources/uses (GAAP basis)	<u>2,367,262</u>	<u>-</u>
Subtotal (GAAP Basis)	73,813,952	68,600,198
Adjust tax revenue to accrual basis	(1,317,937)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(2,550,942)
Add end of year appropriation carryforwards to expenditures	-	1,045,900
Reverse the effect of non- budgeted State contributions for police, fire, and teachers retirement	(6,862,799)	(6,862,799)
Recognize use of fund balance as funding source	669,632	-
Net transfers	275,000	275,000
Reverse non-budgeted funds	(11,798)	232,962
Other	<u>60,850</u>	<u>-</u>
Budgetary basis	<u>\$ 66,626,900</u>	<u>\$ 60,740,319</u>



#### D. Deficit Fund Equity

The FEMA Flood and Highway Chapter 90 funds had deficits of \$ 277,919 and \$ 315,949, respectively, as of June 30, 2011, which will be eliminated through future intergovernmental revenues.

### **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 does not have a deposit policy for custodial credit risk.

As of June 30, 2011, \$ 40,019,068 of the Town's bank balance of \$ 74,983,397 was exposed to custodial credit risk as uninsured or uncollateralized.

### **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>	<u>Baa</u>
Certificates of deposits	\$ 3,019,069	\$ 3,019,069	\$ -	\$ -	\$ -	\$ -
Bond mutual funds	863,772	-	614,348	53,469	100,738	95,217
Mutual funds	<u>1,795,455</u>	<u>1,795,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 5,678,296</u>	<u>\$ 4,814,524</u>	<u>\$ 614,348</u>	<u>\$ 53,469</u>	<u>\$ 100,738</u>	<u>\$ 95,217</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 does not have policies for custodial credit risk.

**C. Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in any one issuer. Investment in any one issuer (other than U.S. Treasury securities and mutual funds) that represents 5% or more of total investments is the First Trade Union Bank certificate of deposit of \$ 3,019,069.

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

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 (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
Certificates of deposit	\$ 3,019,069	\$ 3,019,069	\$ -	\$ -
Bond mutual funds	863,772	-	-	863,772
Total	<u>\$ 3,882,841</u>	<u>\$ 3,019,069</u>	<u>\$ -</u>	<u>\$ 863,772</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 does not have policies for foreign currency risk.

**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, 2011 consist of the following:

Real Estate		
2011	\$ 620,933	
2010	83,643	
2009	<u>17,882</u>	
		722,458
Personal Property		
2011	5,028	
2010	3,950	
2009	2,852	
2008	1,049	
Prior	<u>5,490</u>	
		18,369
Community Preservation Act		8,415
Tax Title		790,039
Deferred Taxes		<u>412,232</u>
Total		<u>\$ 1,951,513</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	\$ 218,295	\$ -
Excises	49,367	-
Utilities	-	116,785

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2011.

## 8. Interfund Fund Receivables/Payables and Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2011 balances in interfund receivable and payable accounts and transfers:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
General fund	\$ -	\$ 54,299,815	\$ 516,130	\$ -
Community preservation	7,420,492	-	-	-
High school renovation	13,225,296	-	-	-
Nonmajor governmental funds	17,502,381	-	-	516,130
Enterprise Funds:				
Water	4,481,056	-	-	-
Wastewater	4,475,577	-	-	-
Fiduciary Funds:				
OPEB	6,921,160	-	-	-
Student Activities	273,853	-	-	-
Total	<u>\$ 54,299,815</u>	<u>\$ 54,299,815</u>	<u>\$ 516,130</u>	<u>\$ 516,130</u>

The following is an analysis of interfund transfers made in fiscal year 2011:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers out</u>
General fund	\$ 516,130	\$ -
Nonmajor governmental funds	-	516,130

The transfers are used to move revenues from the fund that legislature or budget requires to expend them.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 67,131	\$ 37,885	\$ -	\$ 105,016
Machinery, equipment, and furnishings	8,173	1,049	-	9,222
Vehicles	5,615	92	(97)	5,610
Infrastructure	<u>5,579</u>	<u>451</u>	<u>-</u>	<u>6,030</u>
Total capital assets, being depreciated	86,498	39,477	(97)	125,878
Less accumulated depreciation for:				
Buildings and improvements	(32,502)	(2,355)	-	(34,857)
Machinery, equipment, and furnishings	(6,750)	(633)	-	(7,383)
Vehicles	(4,443)	(354)	97	(4,700)
Infrastructure	<u>(3,926)</u>	<u>(414)</u>	<u>-</u>	<u>(4,340)</u>
Total accumulated depreciation	<u>(47,621)</u>	<u>(3,756)</u>	<u>97</u>	<u>(51,280)</u>
Total capital assets, being depreciated, net	38,877	35,721	-	74,598
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>\$ 62,203</u>	<u>\$ 35,721</u>	<u>\$ -</u>	<u>\$ 97,924</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 830	\$ -	\$ -	\$ 830
Machinery, equipment, and furnishings	21	34	-	55
Vehicles	466	39	-	505
Infrastructure	<u>15,422</u>	<u>1,635</u>	<u>-</u>	<u>17,057</u>
Total capital assets, being depreciated	16,739	1,708	-	18,447
Less accumulated depreciation for:				
Buildings and improvements	(82)	(21)	-	(103)
Machinery, equipment, and furnishings	(21)	(7)	-	(28)
Vehicles	(339)	(32)	-	(371)
Infrastructure	<u>(1,830)</u>	<u>(426)</u>	<u>-</u>	<u>(2,256)</u>
Total accumulated depreciation	<u>(2,272)</u>	<u>(486)</u>	<u>-</u>	<u>(2,758)</u>
Business-type activities capital assets, net	<u>\$ 14,467</u>	<u>\$ 1,222</u>	<u>\$ -</u>	<u>\$ 15,689</u>

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

Governmental Activities:	
General government	\$ 129,899
Public safety	448,573
Education	2,266,900
Public works	630,999
Culture and recreation	198,117
Sanitation	<u>81,412</u>
Total depreciation expense - governmental activities	\$ <u>3,755,900</u>

Business-Type Activities:	
Water	\$ 430,738
Wastewater	<u>55,337</u>
Total depreciation expense - business-type activities	\$ <u>486,075</u>

#### 10. **Warrants and Accounts Payable**

Warrants payable represent 2011 expenditures paid by July 15, 2011.  
Accounts payable represent additional 2011 expenditures paid after July 15, 2011.

#### 11. **Deferred Revenue**

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

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2011 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

#### 12. **Anticipation Notes Payable**

The following summarizes activity in notes payable during fiscal year 2011:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ <u>4,500,000</u>	\$ <u>-</u>	\$ <u>(4,500,000)</u>	\$ <u>-</u>

### 13. 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 Maturities <u>Through</u>	Interest Rate(s) % <u>Rate(s) %</u>	Outstanding as of <u>6/30/11</u>
<u>Governmental Activities:</u>			
Buildings - Town	02/01/18	2.99-4.59%	\$ 5,604,015
Department Equipment	02/01/16	2.99-3.95%	990,188
Buildings - School	02/01/27	2.99-4.59%	5,938,985
School - Other	02/01/14	2.99-4.59%	1,996,814
Other - Various	02/01/25	2.99-4.69%	3,101,499
School - Buildings	02/01/36	3.40-4.54%	43,265,000
Other - Outside	02/01/19	3.95-4.25%	961,000
MWPAT Title V	07/02/25	0.00%	<u>164,755</u>
Total Governmental Activities:			\$ <u><u>62,022,256</u></u>

	Serial Maturities <u>Through</u>	Interest Rate(s) % <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/11</u>
<u>Business-Type Activities:</u>			
Water	02/01/31	2.99-4.59%	\$ 10,867,500
MWPAT Wastewater	07/01/22	0.00%	400,154
Wastewater Treatment Plant	02/01/31	3.95%	<u>5,000,000</u>
Total Business-Type Activities:			\$ <u><u>16,267,654</u></u>

#### B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,346,226	\$ 2,341,709	\$ 7,687,935
2013	4,723,052	2,219,014	6,942,066
2014	4,139,948	2,079,458	6,219,406
2015	3,584,948	1,944,242	5,529,190
2016	3,219,759	1,807,968	5,027,727
2017-2021	13,751,374	7,427,777	21,179,151
2022-2026	10,391,949	5,002,450	15,394,399
2027-2031	8,665,000	3,094,781	11,759,781
2032-2036	8,200,000	1,152,000	9,352,000
Total	<u>\$ 62,022,256</u>	<u>\$ 27,069,399</u>	<u>\$ 89,091,655</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,033,886	\$ 616,742	\$ 1,650,628
2013	1,031,886	585,282	1,617,168
2014	1,020,136	553,603	1,573,739
2015	965,136	519,338	1,484,474
2016	984,942	482,152	1,467,094
2017-2021	4,791,124	1,879,910	6,671,034
2022-2026	4,010,544	984,968	4,995,512
2027-2031	2,430,000	268,244	2,698,244
Total	<u>\$ 16,267,654</u>	<u>\$ 5,890,239</u>	<u>\$ 22,157,893</u>

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

During the year ended June 30, 2011, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/10</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/11</u>	Less Current Portion <u>6/30/11</u>	Equals Long-Term Portion <u>6/30/11</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 29,951	\$ 36,000	\$ (3,929)	\$ 62,022	\$ (5,346)	\$ 56,676
Other:						
Landfill closure	1,274	-	(283)	991	(691)	300
Accrued employee benefits	1,316	-	(154)	1,162	(291)	871
Unamortized debt premium	-	1,851	(74)	1,777	(74)	1,703
Totals	<u>\$ 32,541</u>	<u>\$ 37,851</u>	<u>\$ (4,440)</u>	<u>\$ 65,952</u>	<u>\$ (6,402)</u>	<u>\$ 59,550</u>



	Total Balance <u>7/1/10</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/11</u>	Less Current Portion	Long-Term Portion <u>6/30/11</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 10,723	\$ 6,370	\$ (825)	\$ 16,268	\$ (1,034)	\$ 15,234
Accrued employee benefits	<u>-</u>	<u>37</u>	<u>-</u>	<u>37</u>	<u>(37)</u>	<u>-</u>
Totals	<u>\$ 10,723</u>	<u>\$ 6,407</u>	<u>\$ (825)</u>	<u>\$ 16,305</u>	<u>\$ (1,071)</u>	<u>\$ 15,234</u>

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

#### **14. Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs as a liability in the financial statements in each period based on landfill capacity used as of each balance sheet date. On February 1, 2011, the Town borrowed \$ 850,000 to fund the expected costs of closure and monitoring.

The \$ 991,445 reported as landfill closure and postclosure care liability at June 30, 2011 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. The Town's municipal solid waste landfill is closed. The Town is now working with the State Regulatory Agency (DEP) to cap the landfill. The landfill liability is based on what it would cost to perform all closure and postclosure care in fiscal 2011. The Town expects to cap the landfill in fiscal year 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

#### **15. Subsequent Events**

On November 17, 2011, the Town voted to appropriate \$ 4,000,000 of free cash for use in the fiscal year 2012 budget.

#### **16. 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.

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.

## **17. 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 Assets 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, 2010, the actuarial valuation date, approximately 424 retirees and 424 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 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pre-funded basis.

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 Obligation*

The Town's fiscal 2011 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, 2011, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of December 31, 2010.

Annual Required Contribution (ARC)	\$ 3,582,995
Interest on net OPEB obligation	(113,325)
Adjustment to ARC	<u>90,404</u>
Annual OPEB cost	3,560,074
Contributions made	<u>5,235,998</u>
Increase in net OPEB asset	1,675,924
Net OPEB asset - beginning of year	<u>1,618,922</u>
Net OPEB asset - end of year	<u><u>\$ 3,294,846</u></u>

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
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

The Town's net OPEB obligation as of June 30, 2011 is recorded as a component of the "other long-term liabilities" line item.

*E. Funded Status and Funding Progress*

The funded status of the plan as of December 31, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ (49,476,106)
Actuarial value of plan assets	<u>3,752,543</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (45,723,563)</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>7.6%</u>
Estimated Covered payroll (active plan members)	<u>\$ 38,000,000</u>
UAAL as a percentage of covered payroll	<u>120.3%</u>

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, 2010 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%.

## 18. 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, 2011, 2010, and 2009 were \$ 3,140,204, \$ 3,005,975 and \$ 2,840,309, 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, 2011 was approximately \$ 15,700,000.

### C. Massachusetts Teacher Retirement System (MTRS) - Plan Description

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 MTRS was established under Chapter 15, Section 16 of the Massachusetts General Laws, however, 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. The Town is not required to contribute.

#### **D. 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 \$ 19,900,000.

In fiscal year 2011, the Commonwealth of Massachusetts contributed \$ 6,862,799 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

### **19. 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.

## 20. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2011, as defined by GASB Statement 34, have changed from the previous fiscal year.

Accordingly, the following reconciliation is provided:

Fund Basis Financial Statements:

	General Fund	Community Preservation Fund	High School Renovation Fund	Nonmajor Governmental Funds	Total Governmental Funds
As previously reported	\$ 14,331,315	\$ -	\$ -	\$ 33,239,065	\$ 47,570,380
To restate accrued liabilities	600,000	-	-	-	600,000
To restate septage equity	146,821	-	-	-	146,821
To reclass CPA to major fund	-	6,594,537	-	(6,594,537)	-
To reclass HS to major fund	-	-	8,162,301	(8,162,301)	-
To reverse landfill liability	350,000	-	-	-	350,000
To restate capital projects equity	-	-	-	(1,554,616)	(1,554,616)
To reclass stabilization to GF	1,526,907	-	-	(1,526,907)	-
To reclass non-insurance fund to GF	780,209	-	-	(780,209)	-
To reclass OPEB to fiduciary funds	-	-	-	(3,753,630)	(3,753,630)
To reclass student activity funds to agency	-	-	-	(215,119)	(215,119)
To reclass Private Purpose funds into special revenue	-	-	-	217,240	217,240
As restated	<u>\$ 17,735,252</u>	<u>\$ 6,594,537</u>	<u>\$ 8,162,301</u>	<u>\$ 10,868,986</u>	<u>\$ 43,361,076</u>

## 21. Beginning Net Assets Restatement

The beginning (July 1, 2010) net assets of the Town have been restated as follows:

Government-wide Financial Statements:

	Business-Type Activities				Fiduciary Fund
	Governmental Activities	Water Fund	Sewer Fund	Total Business-type Activities	OPEB
As previously reported	\$ 75,796,958	\$ 4,714,272	\$ 1,185,372	\$ 5,899,644	\$ -
To restate accrued liabilities	600,000	-	-	-	-
To adjust landfill liability	(923,772)	-	-	-	-
To restate capital project fund equity	2,819,384	2,033,087	-	2,033,087	-
To reclass student activity funds to agency	(215,119)	-	-	-	-
To reclass OPEB out of nonmajor governmental	(3,753,630)	-	-	-	3,753,630
To record Wayland Sudbury Septage Treatment Facility capital assets	413,000	-	-	-	-
To reclass Private Purpose funds into special revenue	217,240	-	-	-	-
To restate net OPEB assets	1,618,922	-	-	-	-
As restated	<u>\$ 76,572,983</u>	<u>\$ 6,747,359</u>	<u>\$ 1,185,372</u>	<u>\$ 7,932,731</u>	<u>\$ 3,753,630</u>



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

June 30, 2011  
(Unaudited)  
(Amounts Expressed in thousands)

<b>Other Post-Employment Benefits</b>						
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]
12/31/08	\$ 764	\$ 40,852	\$ 40,088	1.9%	\$ 35,600	112.6%
12/31/10	\$ 3,763	\$ 49,476	\$ 45,713	7.6%	\$ 38,000	120.3%

See Independent Auditors' Report.