

**TOWN OF WAYLAND, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Wayland, Massachusetts

**Additional Offices:**

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

### **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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

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

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, 2014, 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 appear-

ing on page 53 are presented for purposes of additional analysis and are 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 November 18, 2014 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*

November 18, 2014

## **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, 2014. **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 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 \$117,673 (i.e., net position), a change of \$942 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$42,672, a change of \$6,026 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,250 a change of \$(628) in comparison to the prior year.
- Total bonds payable, including the unamortized premiums, was \$79,667 at the close of the current fiscal year, a change of \$7,304 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 51,249	\$ 45,888	\$ 5,992	\$ 5,889	\$ 57,241	\$ 51,777
Capital assets	127,584	123,690	19,369	19,743	146,953	143,433
Total assets	<u>178,833</u>	<u>169,578</u>	<u>25,361</u>	<u>25,632</u>	<u>204,194</u>	<u>195,210</u>
Long-term liabilities outstanding	67,127	58,957	13,762	14,645	80,889	73,602
Other liabilities	5,299	4,408	312	449	5,611	4,857
Total liabilities	<u>72,426</u>	<u>63,365</u>	<u>14,074</u>	<u>15,094</u>	<u>86,500</u>	<u>78,459</u>
Net position:						
Net investment in capital assets	75,377	69,804	5,951	5,537	81,328	75,341
Restricted	17,004	18,244	-	-	17,004	18,244
Unrestricted	<u>14,025</u>	<u>18,165</u>	<u>5,336</u>	<u>5,001</u>	<u>19,361</u>	<u>23,166</u>
Total net position	<u>\$ 106,406</u>	<u>\$ 106,213</u>	<u>\$ 11,287</u>	<u>\$ 10,538</u>	<u>\$ 117,693</u>	<u>\$ 116,751</u>

### CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues						
Charges for services	\$ 8,364	\$ 8,840	\$ 4,469	\$ 3,811	\$ 12,833	\$ 12,651
Operating grants and contributions	10,037	9,628	-	-	10,037	9,628
Capital grants and contributions	500	-	-	-	500	-
General revenues:						
Property taxes	55,052	52,668	-	-	55,052	52,668
Excises	2,285	2,139	-	-	2,285	2,139
Grants and contributions not restricted to specific programs	5,807	5,344	5	5	5,812	5,349
Investment income	540	413	9	15	549	428
Other	177	97	-	-	177	97
Total revenues	<u>82,762</u>	<u>79,129</u>	<u>4,483</u>	<u>3,831</u>	<u>87,245</u>	<u>82,960</u>
Expenses:						
General government	4,585	4,342	-	-	4,585	4,342
Public safety	6,320	6,216	-	-	6,320	6,216
Education	50,193	49,781	-	-	50,193	49,781
Public works	4,353	3,083	-	-	4,353	3,083
Sanitation	-	33	-	-	-	33
Health and human services	1,219	1,180	-	-	1,219	1,180
Culture and recreation	2,579	2,579	-	-	2,579	2,579
Intergovernmental	132	185	-	-	132	185
Employee benefits	11,336	10,033	-	-	11,336	10,033
Interest on long-term debt	2,255	2,336	-	-	2,255	2,336
Water	-	-	2,679	3,168	2,679	3,168
Sewer	-	-	652	510	652	510
Total expenses	<u>82,972</u>	<u>79,768</u>	<u>3,331</u>	<u>3,678</u>	<u>86,303</u>	<u>83,446</u>
Change in net position before transfers	(210)	(639)	1,152	153	942	(486)
Transfers in (out)	<u>403</u>	<u>-</u>	<u>(403)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	193	(639)	749	153	942	(486)
Net position - beginning 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>
Net position - end of year	<u>\$ 106,406</u>	<u>\$ 106,213</u>	<u>\$ 11,287</u>	<u>\$ 10,538</u>	<u>\$ 117,693</u>	<u>\$ 116,751</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 \$81,328 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 of \$17,004 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 \$19,362, 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 \$193. Key elements of this change are as follows:

Change in net OPEB asset	\$ (604)
Acquiring easement with current year property tax revenue	2,000
20 Wayland judgment	(1,227)
Other	<u>24</u>
Total	<u>\$ 193</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$749. Key elements of this change are as follows:

Water operations	\$ 789
Wastewater operations	<u>(40)</u>
Total	<u>\$ 749</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 \$42,672, a change of \$6,026 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues over expenditures	\$ (3,579)
Premium on issuance of bonds	882
CPA fund revenues over expenditures	(1,557)
Timing difference between current year bond proceeds and current year capital expenditures for DPW building project	8,382
Special revenue and permanent fund revenues over expenditures	2,214
Timing difference between current year bond proceeds/intergovernmental revenues and current year capital expenditures for non-major projects	(718)
Other	<u>402</u>
Total	<u>\$ 6,026</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 \$7,250, while total fund balance was \$14,225. 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>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	Balance % of Total General Fund Expenditures <u>6/30/14</u>
Restricted	\$ 1,198	\$ 1,261	\$ (63)	2%
Committed	1,697	1,768	(71)	2%
Assigned	4,080	5,751	(1,671)	6%
Unassigned	<u>7,250</u>	<u>7,878</u>	<u>(628)</u>	10%
Total fund balance	<u>\$ 14,225</u>	<u>\$ 16,658</u>	<u>\$ (2,433)</u>	19%

<u>General Fund</u>	<u>July 1, 2014</u>	<u>July 1, 2013</u>	<u>Change</u>	7/1/14 CFC % of General Fund FY14 <u>Budget</u>
Certified free cash (CFC)	6,384	4,092	2,292	10%

The total fund balance of the general fund changed by \$(2,433) during the current fiscal year. Key factors in this change are as follows:

Use of reserve:	
Use of free cash	\$ (3,813)
Use of overlay	(1,195)
Use of bond premium	<u>(111)</u>
Subtotal	(5,119)
Bond premium	882
Transfers short of budget	(216)
Revenues in excess of budget	125
Expenditures less than budget	2,113
Other	<u>(218)</u>
Total Change in General Fund Balance	\$ <u><u>(2,433)</u></u>

The Town's unassigned fund balance of the general fund, decreased by \$(628) during the current fiscal year. Key factors in this change are as follows:

Unassigned fund balance June 30, 2013	\$ 7,878
Use of free cash and overlay surplus approved after June 30, 2013	(1,483)
Positive results of operations in fiscal year 2014:	
Revenues	125
Expenditures	2,113
Bond premium	882
Transfers in	(216)
Use of free cash for fiscal year 2015	(2,329)
Other	<u>280</u>
Unassigned fund balance June 30, 2014	\$ <u><u>7,250</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 \$5,337, a change of \$335 in comparison with the prior year. A key factor in this change was the increase in revenues.

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 \$125 favorable variance. Town also received \$882 of unbudgeted premium. The favorable results were slightly reduced by the variance in transfers in as outlined below:

	Final Budget	Actual	Variance
Ambulance	\$ 360	\$ 360	\$ -
Water	394	394	-
Food service	211	-	(211)
Before and After School Enrichment	164	164	-
The Children's Way	166	159	(7)
Recreation	82	82	-
School capital project funds	-	2	2
Other	132	132	-
Total	\$ <u>1,509</u>	\$ <u>1,293</u>	\$ <u>(216)</u>

Unspent appropriations at year-end totaled \$2,113 with approximately three quarters from the Town's "unclassified" function. Significant components of the unspent appropriation in the "unclassified" function were as follows:

	Final Budget	Actual	Variance
Insurance 32B	\$ 6,478	\$ 5,925	\$ 553
Medicare	560	558	2
Insurance general	615	479	136
Reserve for salary adjustments	382	-	382
Reserve fund	301	-	301
Other	440	290	150
Total unclassified	\$ <u>8,776</u>	\$ <u>7,252</u>	\$ <u>1,524</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 \$146,953 (net of accumulated depreciation), a change of \$3,520 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:

- Intangible asset for permanent conservation easement on Lincoln Road of \$2,400
- Middle School roof improvements of \$2,196
- New DPW Building Facility costs of \$618
- High School planning and renovation costs of \$564

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

**Credit rating.** During the fiscal year, the Moody Investor Services affirmed the Town's Aaa rating.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$77,130, 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, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 36,898,881	\$ 5,113,236	\$ 42,012,117
Investments	8,401,918	-	8,401,918
Receivables, net of allowance for uncollectibles:			
Property taxes	627,710	-	627,710
Excises	106,428	-	106,428
User fees	-	878,685	878,685
Assessments	70,835	-	70,835
Departmental and other	115,866	-	115,866
Total current assets	46,221,638	5,991,921	52,213,559
Noncurrent:			
Property taxes	1,523,483	-	1,523,483
Net OPEB asset	3,504,217	-	3,504,217
Capital assets:			
Nondepreciable capital assets	26,389,825	-	26,389,825
Other capital assets, net of accumulated depreciation	101,194,449	19,368,693	120,563,142
Total noncurrent assets	132,611,974	19,368,693	151,980,667
<b>TOTAL ASSETS</b>	178,833,612	25,360,614	204,194,226
<b>LIABILITIES</b>			
Current:			
Accounts payable	730,255	68,936	799,191
Accrued liabilities	2,266,807	211,098	2,477,905
Accrued payroll and withholdings	889,151	6,607	895,758
Guaranteed deposits payable	894,701	-	894,701
Other liabilities	518,532	-	518,532
Current portion of long-term liabilities:			
Bonds and loans payable	5,306,647	1,030,136	6,336,783
Other liabilities	260,700	24,914	285,614
Total current liabilities	10,866,793	1,341,691	12,208,484
Noncurrent:			
Bonds and loans payable, net of current portion	60,597,937	12,731,727	73,329,664
Other liabilities, net of current portion	962,101	-	962,101
Total noncurrent liabilities	61,560,038	12,731,727	74,291,765
<b>TOTAL LIABILITIES</b>	72,426,831	14,073,418	86,500,249
<b>NET POSITION</b>			
Net investment in capital assets	75,377,570	5,950,689	81,328,259
Restricted for:			
Grants and by enabling legislation	13,723,138	-	13,723,138
Permanent fund:			
Nonspendable	1,175,522	-	1,175,522
Spendable	2,105,101	-	2,105,101
Unrestricted	14,025,450	5,336,507	19,361,957
<b>TOTAL NET POSITION</b>	<u>\$ 106,406,781</u>	<u>\$ 11,287,196</u>	<u>\$ 117,693,977</u>

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



## TOWN OF WAYLAND, MASSACHUSETTS

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental Activities:</b>					
General government	\$ 4,585,198	\$ 842,337	\$ 419,247	\$ 500,000	\$ (2,823,614)
Public safety	6,320,091	1,320,015	5,272	-	(4,994,804)
Education	50,193,078	4,553,210	9,558,246	-	(36,081,622)
Public works	4,352,718	433,662	-	-	(3,919,056)
Health and human services	1,219,182	193,217	24,408	-	(1,001,557)
Culture and recreation	2,579,339	1,022,109	29,542	-	(1,527,688)
Intergovernmental	131,848	-	-	-	(131,848)
Employee benefits	11,335,432	-	-	-	(11,335,432)
Interest	2,254,871	-	-	-	(2,254,871)
Total Governmental Activities	82,971,757	8,364,550	10,036,715	500,000	(64,070,492)
<b>Business-Type Activities:</b>					
Water services	2,679,521	3,847,237	-	-	1,167,716
Wastewater services	652,493	621,988	-	-	(30,505)
Total Business-Type Activities	3,332,014	4,469,225	-	-	1,137,211
Total	\$ 86,303,771	\$ 12,833,775	\$ 10,036,715	\$ 500,000	(62,933,281)

(continued)

## TOWN OF WAYLAND, MASSACHUSETTS

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

(continued)

	Governmental Activities	Business- Type Activities	Total
Change in Net Position:			
Net (Expenses) revenue from previous page	\$ (64,070,492)	\$ 1,137,211	\$ (62,933,281)
<b>General Revenue:</b>			
Property taxes	55,052,067	-	55,052,067
Excise taxes	2,285,174	-	2,285,174
Grants and contributions not restricted to specific programs	5,807,424	5,457	5,812,881
Investment income	539,875	8,805	548,680
Other	176,699	-	176,699
Transfers, net	402,653	(402,653)	-
Total general revenues and transfers	64,263,892	(388,391)	63,875,501
Change in Net Position	193,400	748,820	942,220
Net Position:			
Beginning of year	106,213,381	10,538,376	116,751,757
End of year	\$ 106,406,781	\$ 11,287,196	\$ 117,693,977

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

## TOWN OF WAYLAND, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2014

	General Fund	Community Preservation Fund	DPW Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and short-term investments	\$ 11,497,787	\$ 7,214,102	\$ 8,960,402	\$ 9,226,592	\$ 36,898,883
Investments	5,138,104	-	-	3,263,814	8,401,918
Receivables:					
Property taxes	2,408,406	6,042	-	-	2,414,448
Excises	167,773	-	-	-	167,773
Assessments	40,455	-	-	30,380	70,835
Departmental and other	250	-	-	181,604	181,854
<b>TOTAL ASSETS</b>	<b>\$ 19,252,775</b>	<b>\$ 7,220,144</b>	<b>\$ 8,960,402</b>	<b>\$ 12,702,390</b>	<b>\$ 48,135,711</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Warrants and accounts payable	\$ 545,494	\$ -	\$ 3,500	\$ 181,260	\$ 730,254
Accrued payroll and withholdings	856,137	-	-	33,014	889,151
Guaranteed deposits payable	894,701	-	-	-	894,701
Other liabilities	242,000	-	-	-	242,000
<b>TOTAL LIABILITIES</b>	<b>2,538,332</b>	<b>-</b>	<b>3,500</b>	<b>214,274</b>	<b>2,756,106</b>
Deferred Inflows of Resources	2,489,339	6,042	-	211,984	2,707,365
Fund Balances:					
Nonspendable	-	-	-	1,175,522	1,175,522
Restricted	1,198,453	7,214,102	8,956,902	11,152,946	28,522,403
Committed	1,696,808	-	-	-	1,696,808
Assigned	4,080,165	-	-	-	4,080,165
Unassigned	7,249,678	-	-	(52,336)	7,197,342
<b>TOTAL FUND BALANCES</b>	<b>14,225,104</b>	<b>7,214,102</b>	<b>8,956,902</b>	<b>12,276,132</b>	<b>42,672,240</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 19,252,775</b>	<b>\$ 7,220,144</b>	<b>\$ 8,960,402</b>	<b>\$ 12,702,390</b>	<b>\$ 48,135,711</b>

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, 2014

<b>Total governmental fund balances</b>	<b>\$ 42,672,240</b>
<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>	127,584,274
<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>	3,504,217
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	2,316,777
<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>	(1,039,322)
<ul style="list-style-type: none"><li>• Other liabilities, that are not considered liabilities in the funds.</li></ul>	(1,504,020)
<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	(63,368,029)
Unamortized debt premium	(2,536,555)
Landfill liability	(300,000)
Compensated absences liability	<u>(922,801)</u>
<b>Net position of governmental activities</b>	<b>\$ <u>106,406,781</u></b>

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, 2014

	General Fund	Community Preservation Fund	DPW Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 54,002,741	\$ 668,176	\$ -	\$ -	\$ 54,670,917
Excise taxes	2,340,067	-	-	-	2,340,067
Licenses and permits	687,589	-	-	-	687,589
Intergovernmental	11,849,265	332,496	-	3,661,728	15,843,489
Charges for services	686,548	-	-	6,961,000	7,647,548
Investment income	143,518	18,854	-	377,502	539,874
Fines and forfeitures	78,748	-	-	-	78,748
Contributions	-	-	-	500,650	500,650
Total Revenues	<u>69,788,476</u>	<u>1,019,526</u>	<u>-</u>	<u>11,500,880</u>	<u>82,308,882</u>
<b>Expenditures:</b>					
Current:					
General government	3,576,383	2,576,532	-	544,378	6,697,293
Public safety	5,647,506	-	-	231,094	5,878,600
Education	41,084,080	-	-	6,125,494	47,209,574
Public works	1,943,312	-	-	359,451	2,302,763
Health and human services	1,140,798	-	-	78,385	1,219,183
Culture and recreation	1,803,525	-	-	589,188	2,392,713
Employee benefits	10,731,130	-	-	-	10,731,130
Intergovernmental	131,848	-	-	-	131,848
Debt service:					
Principal	5,087,500	-	-	16,448	5,103,948
Interest	2,221,013	-	-	-	2,221,013
Capital outlay	-	-	618,282	5,645,936	6,264,218
Total Expenditures	<u>73,367,095</u>	<u>2,576,532</u>	<u>618,282</u>	<u>13,590,374</u>	<u>90,152,283</u>
Excess (deficiency) of revenues over expenditures	(3,578,619)	(1,557,006)	(618,282)	(2,089,494)	(7,843,401)
<b>Other Financing Sources (Uses):</b>					
Issuance of bonds	-	-	9,000,000	3,585,000	12,585,000
Premium	882,064	-	-	-	882,064
Transfers in	1,346,665	-	575,184	1,322,703	3,244,552
Transfers out	(1,082,907)	-	-	(1,758,991)	(2,841,898)
Total Other Financing Sources (Uses)	<u>1,145,822</u>	<u>-</u>	<u>9,575,184</u>	<u>3,148,712</u>	<u>13,869,718</u>
Net change in fund balances	(2,432,797)	(1,557,006)	8,956,902	1,059,218	6,026,317
Fund Balances, at Beginning of Year	<u>16,657,901</u>	<u>8,771,108</u>	<u>-</u>	<u>11,216,914</u>	<u>36,645,923</u>
Fund Balances, at End of Year	<u>\$ 14,225,104</u>	<u>\$ 7,214,102</u>	<u>\$ 8,956,902</u>	<u>\$ 12,276,132</u>	<u>\$ 42,672,240</u>

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues</b>				
Property taxes, net	\$ 53,974,112	\$ 53,974,112	\$ 53,974,112	\$ -
Intergovernmental	4,235,149	4,235,149	4,206,727	(28,422)
Motor vehicle & other excise tax	2,215,000	2,215,000	2,538,390	323,390
Penalties & interest	215,000	215,000	163,976	(51,024)
In-lieu payments	25,000	25,000	22,200	(2,800)
Departmental fees & charges	535,000	535,000	715,794	180,794
Licenses & permits	1,000,000	1,000,000	687,589	(312,411)
Special assessments	10,000	10,000	16,190	6,190
Fines & forfeits	80,000	80,000	87,547	7,547
Investment income	95,000	95,000	96,888	1,888
Other	5,404	5,404	5,404	-
<b>Total Revenues</b>	<b>62,389,665</b>	<b>62,389,665</b>	<b>62,514,817</b>	<b>125,152</b>
<b>Expenditures</b>				
Current:				
General government	3,660,459	3,794,093	3,780,045	14,048
Public safety	5,848,724	5,848,724	5,651,682	197,042
Education	33,397,005	33,610,470	33,516,931	93,539
Vocational education	212,427	212,427	212,417	10
Public works	2,378,192	2,608,192	2,520,302	87,890
Health and human services	1,184,135	1,186,635	1,143,260	43,375
Culture & recreation	1,314,834	1,314,834	1,230,189	84,645
State & county assessments	159,180	159,180	131,848	27,332
Debt service	7,348,947	7,348,947	7,308,513	40,434
Pension	3,507,480	3,507,480	3,507,480	-
Unclassified	9,122,859	8,775,760	7,251,552	1,524,208
<b>Total Expenditures</b>	<b>68,134,242</b>	<b>68,366,742</b>	<b>66,254,219</b>	<b>2,112,523</b>
Excess (deficiency) of revenues over expenditures	(5,744,577)	(5,977,077)	(3,739,402)	2,237,675
<b>Other Financing Sources (Uses)</b>				
Use of free cash	3,580,000	3,812,500	-	(3,812,500)
Use of unamortized bond premium	111,000	111,000	-	(111,000)
Use of overlay reserve	1,195,000	1,195,000	-	(1,195,000)
Bond premium	-	-	882,064	882,064
Transfers from other funds	1,508,577	1,508,577	1,292,619	(215,958)
Transfers to other funds	(650,000)	(650,000)	(650,000)	-
<b>Total Other Financing Sources(Uses)</b>	<b>5,744,577</b>	<b>5,977,077</b>	<b>1,524,683</b>	<b>(4,452,394)</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (2,214,719)	\$ (2,214,719)

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

## TOWN OF WAYLAND, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET POSITION

JUNE 30, 2014

	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	\$ 4,528,954	\$ 584,282	\$ 5,113,236
User fees receivable	<u>588,541</u>	<u>290,144</u>	<u>878,685</u>
Total current assets	5,117,495	874,426	5,991,921
Noncurrent:			
Capital assets:			
Other capital assets, net of accumulated depreciation	<u>14,011,001</u>	<u>5,357,692</u>	<u>19,368,693</u>
Total noncurrent assets	<u>14,011,001</u>	<u>5,357,692</u>	<u>19,368,693</u>
<b>TOTAL ASSETS</b>	19,128,496	6,232,118	25,360,614
<b><u>LIABILITIES</u></b>			
Current:			
Accounts payable	60,783	8,153	68,936
Accrued liabilities	122,063	89,035	211,098
Accrued payroll	6,354	253	6,607
Current portion of long-term liabilities:			
Bonds and loans payable	766,500	263,636	1,030,136
Compensated absences	<u>24,914</u>	<u>-</u>	<u>24,914</u>
Total current liabilities	980,614	361,077	1,341,691
Noncurrent:			
Bonds and loans payable, net of current portion	<u>7,686,000</u>	<u>5,045,727</u>	<u>12,731,727</u>
Total noncurrent liabilities	<u>7,686,000</u>	<u>5,045,727</u>	<u>12,731,727</u>
<b>TOTAL LIABILITIES</b>	8,666,614	5,406,804	14,073,418
<b><u>NET POSITION</u></b>			
Net investment in capital assets	5,650,973	299,716	5,950,689
Unrestricted	<u>4,810,909</u>	<u>525,598</u>	<u>5,336,507</u>
<b>TOTAL NET POSITION</b>	<u>\$ 10,461,882</u>	<u>\$ 825,314</u>	<u>\$ 11,287,196</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, 2014

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 3,847,237	\$ 621,988	\$ 4,469,225
Total Operating Revenues	3,847,237	621,988	4,469,225
<b>Operating Expenses:</b>			
Personal services	645,560	22,865	668,425
Nonpersonnel	1,319,049	183,134	1,502,183
Depreciation	530,502	149,994	680,496
Total Operating Expenses	2,495,111	355,993	2,851,104
Operating Income	1,352,126	265,995	1,618,121
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	7,979	826	8,805
Intergovernmental revenue	-	5,457	5,457
Interest expense	(184,410)	(296,500)	(480,910)
Total Nonoperating Revenues (Expenses), Net	(176,431)	(290,217)	(466,648)
Income (loss) before transfers	1,175,695	(24,222)	1,151,473
Transfers	(386,734)	(15,919)	(402,653)
Change in Net Position	788,961	(40,141)	748,820
Net Position at Beginning of Year	9,672,921	865,455	10,538,376
Net Position at End of Year	\$ 10,461,882	\$ 825,314	\$ 11,287,196

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, 2014

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 3,815,495	\$ 716,986	\$ 4,532,481
Payments of employee salaries, benefits, and related expenses	(657,825)	(22,612)	(680,437)
Payments to vendors	(1,381,543)	(186,234)	(1,567,777)
Net Cash Provided By Operating Activities	1,776,127	508,140	2,284,267
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Transfers to other funds	(386,734)	(15,919)	(402,653)
Net Cash (Used For) Noncapital Financing Activities	(386,734)	(15,919)	(402,653)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition and construction of capital assets	(232,621)	(73,978)	(306,599)
Proceeds from bonds	-	200,000	200,000
Principal payments on bonds	(834,500)	(248,637)	(1,083,137)
Intergovernmental revenue	-	5,457	5,457
Interest expense	(333,249)	(207,465)	(540,714)
Net Cash (Used For) Capital and Related Financing Activities	(1,400,370)	(324,623)	(1,724,993)
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	7,979	826	8,805
Net Cash Provided By Investing Activities	7,979	826	8,805
Net Change in Cash and Short-Term Investments	(2,998)	168,424	165,426
Cash and Short-Term Investments, Beginning of Year	4,531,952	415,858	4,947,810
Cash and Short-Term Investments, End of Year	\$ 4,528,954	\$ 584,282	\$ 5,113,236
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>			
Operating income	\$ 1,352,126	\$ 265,995	\$ 1,618,121
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	530,502	149,994	680,496
Changes in assets and liabilities:			
User fees receivables	(31,740)	94,999	63,259
Accounts payable	(62,496)	(3,101)	(65,597)
Accrued payroll	534	253	787
Compensated absences	(12,799)	-	(12,799)
Net Cash Provided By Operating Activities	\$ 1,776,127	\$ 508,140	\$ 2,284,267

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

TOWN OF WAYLAND, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Other Post- Employment Benefits <u>Trust Fund</u>	Agency <u>Fund</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ 147,566	\$ 233,731
Investments	<u>11,930,747</u>	<u>-</u>
Total Assets	12,078,313	233,731
<b><u>LIABILITIES AND NET POSITION</u></b>		
Other liabilities	<u>-</u>	<u>233,731</u>
Total Liabilities	<u>-</u>	<u>233,731</u>
<b><u>NET POSITION</u></b>		
Total net position held in trust for other post employment benefits and other purposes	\$ <u>12,078,313</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, 2014

	Other Post- Employment Benefits <u>Trust Fund</u>
<b>Additions:</b>	
Contributions	\$ 2,208,981
Investment income	1,372,868
Total additions	<u>3,581,849</u>
<b>Deductions:</b>	
Benefits	<u>2,110,447</u>
Total deductions	<u>2,110,447</u>
Change in net position	1,471,402
<b>Net position:</b>	
Beginning of year	<u>10,606,911</u>
End of year	<u><u>\$ 12,078,313</u></u>

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

# TOWN OF WAYLAND, 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. In fiscal year 2014, it was determined that no entities met the required GASB 14 (as amended) 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 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
- The *DPW Building Fund* is used to account for the construction and site work of the new Department of Public Works Facility authorized by the November 20, 2013 Special Town Meeting vote. This project is funded primarily through issuance of long-term general obligation bond and a small contribution from the receipts reserved from sale of real estate.

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 2014 tax levy reflected an excess capacity of \$10,232,654.

*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 budgetary 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)	\$ 69,788,476	\$ 73,367,095
Other financing sources/uses (GAAP Basis)	<u>2,228,729</u>	<u>1,082,907</u>
Subtotal (GAAP Basis)	72,017,205	74,450,002
Adjust tax revenue to accrual basis	152,055	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(325,605)
Add end of year appropriation carryforwards to expenditures	-	523,968
Reverse the effect of non- budgeted state contributions for police, fire, and teachers retirement	(7,384,491)	(7,384,491)
Reverse non-budgeted funds	<u>(95,269)</u>	<u>(359,655)</u>
Budgetary Basis	\$ <u>64,689,500</u>	\$ <u>66,904,219</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 following funds had deficits as of June 30, 2014:

Nonmajor Governmental Funds:	
Special Revenue Funds:	
FY14 Title IIA	\$ 3,582
Cultural Council	1,061
Green Communities	14,285
Capital Project Funds:	
Highway chapter 90	<u>33,408</u>
Total	\$ <u>52,336</u>

The deficits in these funds will be eliminated through future intergovernmental revenues and transfers from other funds.

### 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 \$5,390,018 in Century Bank exceed 10% of total cash or \$4,013,236 by \$1,376,782 at June 30, 2014.

As of June 30, 2014, \$12,535,742 of the Town's bank balance of \$40,132,362 was exposed to custodial credit risk as uninsured or uncollateralized; \$1,223,185 of the uncollateralized amount was invested in the state pool and \$45,918 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	\$ 1,585	\$ -	\$ 1,585	\$ -	\$ -
US Treasury notes	192	-	192	-	-
Certificates of deposits	3,573	3,573	-	-	-
Corporate bonds	615	-	-	-	615
Mutual funds	9,818	9,818	-	-	-
Corporate equities	4,550	4,550	-	-	-
Total investments	<u>\$ 20,333</u>	<u>\$ 17,941</u>	<u>\$ 1,777</u>	<u>\$ -</u>	<u>\$ 615</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. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represents 5% or more of total investments are the Belmont Savings Bank certificate of

deposit of \$3,021,643 and the First Trade Union Bank certificates of deposits of \$1,500,000 and \$1,505,579.

**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:

Investment Type	Fair Value	Investment Maturities (Years)		
		Less Than 1	1-5	6-10
Debt-related Securities:				
Federal agency securities	\$ 1,585	\$ -	\$ 1,131	\$ 454
US Treasury notes	192	-	77	115
Corporate bonds	<u>615</u>	<u>-</u>	<u>227</u>	<u>388</u>
Total	\$ 2,392	\$ -	\$ 1,435	\$ 957

**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, 2014 consist of the following:

Real Estate		
2014	\$ 497,290	
2013	72,738	
2012	<u>29,887</u>	
		599,915
Personal Property		
2014	4,590	
2013	4,884	
2012	4,576	
2011	3,555	
Prior	<u>4,148</u>	
		21,753
Community Preservation Act		6,042
Tax Title		1,363,831
Deferred Taxes		<u>422,907</u>
Total		\$ <u>2,414,448</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	\$ 263,255	\$ -
Excises	61,345	-
Ambulance	65,988	-
Utilities	-	65,519

## 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 2014:



	<u>Transfers In</u>	<u>Transfers out</u>
<u>Governmental Funds:</u>		
General Fund	\$ 1,346,665	\$ 1,082,907
DPW Building Fund	575,184	-
<u>Nonmajor Funds:</u>		
<u>Special Revenue Funds:</u>		
Ambulance Revolving	-	640,000
Health Reimbursement	-	1,892
Recreation	346,353	82,130
BASE	-	164,495
The Children's Way	-	157,966
Full Day Kindergarten	-	39,450
Reserve from Sale of Land	-	575,184
Transfer Station	-	42,831
<u>Capital Project Funds:</u>		
IT Capital	100,000	-
Dam Repair	25,000	-
Fire Equipment	280,000	-
Fire Vehicles	1,504	-
Station 2 Repair	44,845	-
Highway Roadwork Design	180,000	-
Recreation Field	85,000	-
Middle School Renovations	-	54,038
FY14 School Technology	260,000	1,005
Subtotal	<u>3,244,551</u>	<u>2,841,898</u>
<u>Business-Type Funds:</u>		
Water Fund	-	386,734
Wastewater Fund	-	15,919
Subtotal	<u>-</u>	<u>402,653</u>
Grand Total	<u>\$ 3,244,551</u>	<u>\$ 3,244,551</u>

The \$703,349 transfer from the General fund and \$280,000 from the Ambulance revolving fund to the various Capital Project funds represent the Town's practice of funding certain capital activity from the operating funds approved by town meetings.

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, 2014 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 135,541	\$ 3,934	\$ -	\$ 139,475
Machinery, equipment, and furnishings	10,832	795	-	11,627
Vehicles	6,077	280	-	6,357
Infrastructure	7,574	586	-	8,160
Total capital assets, being depreciated	160,024	5,595	-	165,619
Less accumulated depreciation for:				
Buildings and improvements	(40,733)	(3,166)	-	(43,899)
Machinery, equipment, and furnishings	(8,886)	(784)	-	(9,670)
Vehicles	(4,981)	(370)	-	(5,351)
Infrastructure	(5,061)	(444)	-	(5,505)
Total accumulated depreciation	(59,661)	(4,764)	-	(64,425)
Total capital assets, being depreciated, net	100,363	831	-	101,194
Capital assets, not being depreciated:				
Land	21,580	-	-	21,580
Collections	1,747	-	-	1,747
Intangible asset for permanent conservation easement	-	2,400	-	2,400
Construction in progress	-	663	-	663
Total capital assets, not being depreciated	23,327	3,063	-	26,390
Governmental activities capital assets, net	\$ 123,690	\$ 3,894	\$ -	\$ 127,584

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 830	\$ 74	\$ -	\$ 904
Machinery, equipment, and furnishings	305	-	-	305
Vehicles	619	67	-	686
Infrastructure	<u>22,024</u>	<u>165</u>	<u>-</u>	<u>22,189</u>
Total capital assets, being depreciated	23,778	306	-	24,084
Less accumulated depreciation for:				
Buildings and improvements	(145)	(21)	-	(166)
Machinery, equipment, and furnishings	(108)	(57)	-	(165)
Vehicles	(451)	(50)	-	(501)
Infrastructure	<u>(3,331)</u>	<u>(552)</u>	<u>-</u>	<u>(3,883)</u>
Total accumulated depreciation	<u>(4,035)</u>	<u>(680)</u>	<u>-</u>	<u>(4,715)</u>
Business-type activities capital assets, net	<u>\$ 19,743</u>	<u>\$ (374)</u>	<u>\$ -</u>	<u>\$ 19,369</u>

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

**Governmental Activities:**

General government	\$ 318,066
Public safety	435,473
Education	3,000,986
Public works	822,470
Culture and recreation	<u>186,626</u>
Total depreciation expense - governmental activities	<u>\$ 4,763,621</u>

**Business-Type Activities:**

Water	\$ 530,502
Wastewater	<u>149,994</u>
Total depreciation expense - business-type activities	<u>\$ 680,496</u>

## 9. Warrants and Accounts Payable

Warrants payable represent 2014 expenditures paid by July 15, 2014.

Accounts payable represent additional 2014 expenditures paid after July 15, 2014.

## 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 Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/14
Land Acquisition	12/15/14	1.73%	\$ 170,000
Public Safety	12/15/18	2.28%	1,400,000
Municipal Purposes 2003	11/01/22	3.70%	375,000
Municipal Purposes 2005	09/15/25	3.78%	3,400,000
Municipal Purposes 2006	07/15/25	4.08%	570,000
Municipal Purposes 2007	01/15/27	4.01%	1,865,000
Municipal Purposes 2008	02/01/28	3.42%	4,695,000
Municipal Purposes 2009	12/15/28	2.79%	1,675,000
Municipal Purposes 2010	02/01/35	3.48%	9,425,000
Municipal Purposes 2011	02/01/36	4.12%	35,620,000
Municipal Purposes 2012	02/01/31	1.37%	1,230,000
Municipal Purposes 2013	02/01/22	1.10%	3,495,000
Municipal Purposes 2014	02/01/34	3.07%	12,785,000
Title V	07/01/25	-	115,529
Wastewater	07/01/22	-	309,363
Total:			<u>\$ 77,129,892</u>

### B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,129,948	\$ 2,592,702	\$ 7,722,650
2016	4,679,759	2,418,739	7,098,498
2017	4,354,759	2,283,111	6,637,870
2018	4,214,759	2,130,643	6,345,402
2019	3,729,759	1,971,113	5,700,872
2020-2024	14,544,045	7,829,864	22,373,909
2025-2029	12,200,000	5,222,941	17,422,941
2030-2034	11,475,000	2,286,919	13,761,919
2035-2036	3,040,000	214,500	3,254,500
Total	<u>\$ 63,368,029</u>	<u>\$ 26,950,532</u>	<u>\$ 90,318,561</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,030,136	\$ 540,508	\$ 1,570,644
2016	1,019,942	502,442	1,522,384
2017	1,009,942	469,846	1,479,788
2018	1,004,942	434,706	1,439,648
2019	994,747	397,825	1,392,572
2020-2024	4,432,154	1,415,535	5,847,689
2025-2029	3,505,000	600,972	4,105,972
2030-2034	765,000	53,393	818,393
Total	<u>\$ 13,761,863</u>	<u>\$ 4,415,227</u>	<u>\$ 18,177,090</u>

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

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

	Total Balance <u>7/1/13</u>	Additions	Reductions	Total Balance <u>6/30/14</u>	Less Current Portion <u>6/30/14</u>	Equals Long-Term Portion <u>6/30/14</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 55,887	\$ 12,585	\$ (5,104)	\$ 63,368	\$ (5,130)	\$ 58,238
Unamortized debt premiums	1,831	882	(176)	2,537	(177)	2,360
Subtotal	<u>57,718</u>	<u>13,467</u>	<u>(5,280)</u>	<u>65,905</u>	<u>(5,307)</u>	<u>60,598</u>
Other:						
Landfill closure	314	-	(14)	300	(30)	270
Accrued employee benefits	<u>924</u>	<u>809</u>	<u>(810)</u>	<u>923</u>	<u>(231)</u>	<u>692</u>
Totals	<u>\$ 58,956</u>	<u>\$ 14,276</u>	<u>\$ (6,104)</u>	<u>\$ 67,128</u>	<u>\$ (5,568)</u>	<u>\$ 61,560</u>

	Total Balance 7/1/13	Additions	Reductions	Total Balance 6/30/14	Less Current Portion	Equals Long-Term Portion 6/30/14
<u>Business-Type Activities</u>						
Bonds payable	\$ 14,645	\$ 200	\$ (1,083)	\$ 13,762	\$ (1,030)	\$ 12,732
Accrued employee benefits	38	40	(53)	25	(25)	-
Totals	<u>\$ 14,683</u>	<u>\$ 240</u>	<u>\$ (1,136)</u>	<u>\$ 13,787</u>	<u>\$ (1,055)</u>	<u>\$ 12,732</u>

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 \$300,000 reported as landfill closure and postclosure care liability at June 30, 2014 is based on remaining capping costs to be incurred after fiscal year 2014, 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, 2014 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		
	General	CPA	Nonmajor
Unavailable revenues - property taxes	\$ 2,280,861	\$ 6,042	\$ -
Unavailable revenues - excise taxes	167,773	-	-
Unavailable revenues - special assessments	40,455	-	30,380
Unavailable revenues - departmental revenues	250	-	181,604
Total	<u>\$ 2,489,339</u>	<u>\$ 6,042</u>	<u>\$ 211,984</u>

### 13. Governmental Fund Balances

The following is a breakdown of the Town's governmental fund balances at June 30, 2014:

	General Fund	Community Preservation Fund	DPW Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 1,175,522	\$ 1,175,522
Total Nonexpendable	-	-	-	1,175,522	1,175,522
Restricted:					
Debt service	1,198,453	-	-	-	1,198,453
Community preservation	-	7,214,102	-	-	7,214,102
DPW Building	-	-	8,956,902	-	8,956,902
Town special revenue accounts:					
Ambulance	-	-	-	1,152,270	1,152,270
Recreation revolving	-	-	-	665,384	665,384
Town center gift from 20 Wayland	-	-	-	543,224	543,224
Transfer station	-	-	-	331,836	331,836
Cafeteria plan	-	-	-	177,129	177,129
Turf field	-	-	-	159,593	159,593
Receipts reserved for sale of cemetery lots	-	-	-	154,859	154,859
Receipts reserved for concom receipts	-	-	-	118,007	118,007
Town center revolving	-	-	-	117,140	117,140
Other town grants and revolving accounts	-	-	-	945,849	945,849
School special revenue accounts:					
Before and after school enrichment	-	-	-	591,671	591,671
SPED Circuit Breaker	-	-	-	368,667	368,667
PEGASUS	-	-	-	270,371	270,371
School lunch	-	-	-	224,217	224,217
Transportation fees	-	-	-	213,324	213,324
The Children's Way	-	-	-	170,290	170,290
Other school grants and revolving accounts	-	-	-	606,181	606,181
Town capital project accounts:					
Public safety building repairs	-	-	-	305,827	305,827
Road construction 2013	-	-	-	154,789	154,789
Transfer station 2013	-	-	-	126,826	126,826
Highway roadwork design	-	-	-	122,331	122,331
Drainage improvements	-	-	-	112,349	112,349
Other capital project funds	-	-	-	656,246	656,246

(continued)

(continued)

	General Fund	Community Preservation Fund	DPW Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
School capital project accounts:					
Middle school roof				479,459	479,459
Other capital project funds	-	-	-	280,006	280,006
Expendable permanent funds	-	-	-	2,105,101	2,105,101
Total Restricted	1,198,453	7,214,102	8,956,902	11,152,946	28,522,403
Committed:					
Stabilization	1,585,337	-	-	-	1,585,337
Septage	111,471	-	-	-	111,471
Total Committed	1,696,808	-	-	-	1,696,808
Assigned:					
Encumbrances	523,968	-	-	-	523,968
Use of fund balance for fiscal 14	2,329,094	-	-	-	2,329,094
Septage	39,502	-	-	-	39,502
Non-insurance	1,187,601	-	-	-	1,187,601
Total Assigned	4,080,165	-	-	-	4,080,165
Unassigned:					
General fund	7,249,678	-	-	-	7,249,678
Other nonmajor	-	-	-	(52,336)	(52,336)
Total Unassigned	7,249,678	-	-	(52,336)	7,197,342
Total Fund Balance	\$ 14,225,104	\$ 7,214,102	\$ 8,956,902	\$ 12,276,132	\$ 42,672,240

#### 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 Fund
Unassigned fund balance, June 30, 2014	\$ 7,249,678
Allowance for abatements (reserved statutorily)	(1,179,146)
"60-day rule"	(127,545)
ATB liability	242,000
Other adjustments	199,325
Certified free cash, July 1, 2014	\$ 6,384,312



	Water Fund	Wastewater Fund	Total
Unrestricted net assets, GAAP	\$ 4,810,909	\$ 525,598	\$ 5,336,507
Recognize deferred revenue	(588,541)	(290,144)	(878,685)
Remove accrued interest	122,063	89,035	211,098
Remove compensated absences	24,914	-	24,914
Funds assigned for FY15 & encumbrances	(1,284,645)	(25,246)	(1,309,891)
Unspent appropriations for capital	<u>(696,360)</u>	<u>-</u>	<u>(696,360)</u>
Available funds	<u>\$ 2,388,340</u>	<u>\$ 299,243</u>	<u>\$ 2,687,583</u>

## 15. **Commitments and Contingencies**

**Outstanding Legal Issues** – A judgment has been entered against the Town in the amount of \$1,227,485, and has been recognized as a liability in the Town's governmental activities. The judgment results from a breach of contract case where a developer alleged that the Town and its Wastewater Management District Commission breached their obligations to provide sewer capacity at the Town's wastewater treatment plant and included system costs attributable to other users in the developer's sewer usage charges. The Town parties have appealed the judgment to the Massachusetts Appeals Court. The developer must pay the Town a gift in the amount of approximately \$3,000,000, pursuant to a memorandum of agreement between the Town and the developer under which the Town, among other things, rezoned the developer's land to allow a mixed-use development to be built. In the event that the judgment against the Town is upheld on appeal, the Town will have the option of waiving a portion of the gift to satisfy the judgment. Additionally, the parties are discussing settlement. There are several other 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 2014, the town contributed 79% 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 2014 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, 2014, 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)	\$ 2,854,649	\$ -	\$ 2,854,649
Interest on net OPEB obligation	(287,596)	-	(287,596)
Adjustment to ARC	246,230	-	246,230
Annual OPEB cost	2,813,283	-	2,813,283
Contributions made	2,110,447	98,534	2,208,981
Increase (decrease) in net OPEB asset	\$ (702,836)	\$ 98,534	(604,302)
Net OPEB asset - beginning of year			4,108,519
Net OPEB asset - end of year			\$ 3,504,217

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
2014	\$ 2,813,283	78.5%	\$3,504,217
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 52 and 53.

*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	<u>(10,224,733)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 28,313,225</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>26.53%</u>
Estimated Covered payroll (active plan members)	<u>\$ 39,339,000</u>
UAAL as a percentage of covered payroll	<u>71.97%</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, 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, 2014, 2013, and 2012 were \$3,507,480, \$3,171,056, and \$3,420,633, 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, 2014 was approximately \$16,700,000.

### 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 \$22,200,000.

In fiscal year 2014, the Commonwealth of Massachusetts contributed \$7,384,491 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, 2014**  
**(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
12/31/13	\$ 88,723	\$ 88,723	100%	\$ 3,507	4.0%
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, 2014**  
 (Unaudited)

**Other Post-Employment Benefits**

<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>
2014	\$ 2,854,649	\$ (287,596)	\$ 246,230	\$ 2,813,283	\$ 2,208,981	\$ 604,302	\$ (3,504,217)	\$ 2,110,447	\$ 98,534	\$ 1,372,868	\$ 1,471,402	\$ 12,078,313
2013	2,699,019	(334,189)	279,080	2,643,910	1,978,306	665,604	(4,108,519)	1,978,306	-	747,371	747,371	10,606,911
2012	3,657,200	(230,639)	188,128	3,614,689	5,093,966	(1,479,277)	(4,774,123)	2,293,966	2,800,000	138,380	2,938,380	9,859,540
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	3,167,530	6,921,160
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	1,872,839	3,753,630
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	1,130,791	1,880,791
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.