

**TOWN OF WAYLAND
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

FINANCIAL STATEMENTS

FOR THE PERIOD OCTOBER 8, 2014
(COMMENCEMENT OF OPERATIONS)
TO JUNE 30, 2015

TOWN OF WAYLAND
MUNICIPAL AFFORDABLE HOUSING TRUST FUND

FOR THE PERIOD OCTOBER 8, 2014 (COMMENCEMENT OF OPERATIONS) TO JUNE 30, 2015

TABLE OF CONTENTS

	Page(s)
INDEPENDENT AUDITORS' REPORT	1 – 2
REQUIRED SUPPLEMENTARY INFORMATION	
• Management's Discussion and Analysis	3 - 4
BASIC FINANCIAL STATEMENTS	
• Balance Sheet	5
• Statement of Revenues, Expenditures and Changes in Fund Balance	6
NOTES TO BASIC FINANCIAL STATEMENTS	7 - 11

Additional Offices:

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

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

Town of Wayland Municipal Affordable Housing Trust Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Wayland Municipal Affordable Housing Trust Fund (the Trust) as of June 30, 2015 and for the period of operations from inception on October 8, 2014 to June 30, 2015, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Trust'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Wayland Municipal Affordable Housing Trust Fund as of June 30, 2015, and the changes in financial position for the period of operations from inception on October 8, 2014 to June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Melanson Heath

November 11, 2015

Town of Wayland Municipal Affordable Housing Trust Fund

Management's Discussion and Analysis (MD&A)

FOR THE PERIOD OCTOBER 8, 2014 (COMMENCEMENT OF OPERATIONS) TO JUNE 30, 2015

Introduction

The Trustees of the Town of Wayland Municipal Affordable Housing Trust Fund (the "Trust") offer readers of the Trust's financial statements this narrative overview and analysis of its financial activities for the period October 8, 2014 (commencement of operations) to June 30, 2015. The Trustees encourage readers to read the information presented here in conjunction with additional information that is included in the Trust's financial statements, which follow this narrative.

Organizational Overview and Purpose

The Trust was established pursuant to Chapter 491 of the Massachusetts Acts of 2004, as amended by Sections 1 through 6 of Chapter 109, i.e., M.G.L. c. 44 §55C, and authorized by the vote of the 2014 Annual Town Meeting under Article 12 of the Warrant therefor.

The Trust is governed by a Board of Trustees (the "Trustees") consisting of seven members appointed by the Board of Selectmen of the Town of Wayland. At least one of the Trustees shall be a member of the Board of Selectmen and, in making the appointments to fill the remaining positions, the Board of Selectmen shall give preference to the following: (i) a member of the Wayland Housing Authority; (ii) a member of the Planning Board; (iii) a member of the Wayland Housing Partnership; (iv) a real estate law specialist licensed to practice law in the Commonwealth of Massachusetts; and (v) two residents.

The purpose of the Trust is to provide for the creation and preservation of affordable housing in the Town of Wayland (the "Town") for the benefit of low- and moderate-income households.

Financial Highlights

The Trust's aggregate fund balance at June 30, 2015 was \$662,672.

During the period October 8, 2014 (commencement of operations) to June 30, 2015, the Trust received revenues and other funding from the following sources:

- 1) The Town transferred \$140,705 of inclusionary housing payments it had received from Brendon Homes LLC, the developer of River Trail Place, a 42-unit market rate residential condominium development project located in the Town Center, which made the payments pursuant to an agreement approved by vote at the Special Town Meeting held in November 2009, to the Trust;
- 2) The Trust was entitled to receive an additional \$51,166 of inclusionary housing payments owed to the Town by Brendon Homes LLC as of June 30, 2015. This amount has been included as revenue pursuant to the modified accrual method of accounting with a corresponding receivable shown in the Trust's balance sheet;
- 3) The Town transferred \$51,340 to the Trust from a housing fund within its revolving fund pursuant to a vote at the 2014 Annual Town Meeting; and

- 4) The Town transferred \$419,202 of community housing funds to the Trust from the Town's Community Preservation Fund ("CPF") pursuant to a vote at the 2015 Annual Town Meeting. Transfers from the Town's CPF are reported as restricted funds as the use of such funds must be used for "community housing" as defined in M.G.L. c. 44B, §1 et seq. of the Community Preservation Act ("CPA") and use of such funds is further subject to the CPA's restrictions and limitations.

During the period October 8, 2014 to June 30, 2015, the Trust did not incur any expenditures nor did the Trustees make any financial commitments involving the Trust's assets.

Overview of the Financial Statements

The Trust's financial statements consist of three components: (i) the MD&A; (ii) basic financial statements; and (iii) notes to the financial statements. The financial statements are presented on a fund basis. Fund balance is divided into five classifications based primarily on the extent to which the Trust is bound to observe constraints imposed upon the use of the resources in the governmental funds. For the period October 8, 2014 to June 30, 2015, the Trust has classified the transfer it received from the Town's CPF, together with interest earned thereon, as "restricted" for financial statement purposes.

All other revenues and transfers from the Town, together with interest earned thereon, have also been classified as "restricted" for financial statement purposes meaning that such funds are restricted to be used by the Trust in advancing its purpose pursuant to M.G.L. c. 44 §55C. The total fund balance amount is restricted by the enabling legislation.

The Trust is a blended component unit of the Town of Wayland, MA, reported as a special revenue fund, included in the non-major governmental funds in the Town's Comprehensive Annual Financial Report.

Request for Information

The financial statements are designed to provide a general overview of the Trust for those with an interest in the Trust's finances. Questions concerning any of this information provided in this report or requests for additional information should be addressed to the Town of Wayland's Finance Director at 41 Cochituate Road, Wayland, MA 01778.

**TOWN OF WAYLAND
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

BALANCE SHEET
As of June 30, 2015

ASSETS	
Cash and cash equivalents	\$ 611,506
Inclusionary housing payments receivable	<u>51,166</u>
Total assets	<u><u>\$ 662,672</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities	<u>\$ -</u>
Total liabilities	<u>-</u>
 Fund balance	
Restricted	<u>662,672</u>
Total fund balance	<u>662,672</u>
Total liabilities and fund balance	<u><u>\$ 662,672</u></u>

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

**TOWN OF WAYLAND
MUNICIPAL AFFORDABLE HOUSING TRUST FUND**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Period October 8, 2014 (commencement of operations) to June 30, 2015

REVENUES	
Investment income	\$ 159
Inclusionary housing payments	191,871
Contributions - General public	100
Total revenues	192,130
EXPENDITURES	
	-
Excess of revenues over expenditures	192,130
OTHER FINANCING SOURCES (USES)	
Transfers in - Town of Wayland	470,542
Total other financing sources (uses)	470,542
Net change in fund balance	662,672
Fund balance, at inception	-
Fund balance, end of year	\$ 662,672

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

Town of Wayland
Municipal Affordable Housing Trust Fund
June 30, 2015
Notes to Financial Statements

1. Organization and Purpose

The Town of Wayland Municipal Affordable Housing Trust Fund (the "Trust") was established pursuant to Chapter 491 of the Massachusetts Acts of 2004, as amended by Sections 1 through 6 of Chapter 109, i.e., M.G.L. c. 44 §55C, and authorized by the vote of the 2014 Annual Town Meeting under Article 12 of the Warrant therefor.

The purpose of the Trust is to provide for the creation and preservation of affordable housing in the Town of Wayland for the benefit of low- and moderate-income households.

The Trust is governed by a Board of Trustees (the "Trustees") consisting of seven members appointed by the Board of Selectmen of the Town of Wayland. At least one of the Trustees shall be a member of the Board of Selectmen and, in making the appointments to fill the remaining positions, the Board of Selectmen shall give preference to the following: (i) a member of the Wayland Housing Authority; (ii) a member of the Planning Board; (iii) a member of the Wayland Housing Partnership; (iv) a real estate law specialist licensed to practice law in the Commonwealth of Massachusetts; and (v) two residents.

The Town of Wayland Treasurer/Collector is currently serving as the custodian of significantly all of the Trust's funds which are held in two savings accounts at The Village Bank, both of which were established under the Town of Wayland's tax identification number, and the Town of Wayland's Finance Director maintains books and records for the Trust's funds held in these two savings accounts within the Town of Wayland's financial reporting system.

The Trust shall continue so long as authorized under the Laws of the Commonwealth of Massachusetts. Notwithstanding the foregoing, the Trust may be terminated by the Town of Wayland's rescission of its acceptance of the provisions of Chapter 461 of the Acts of 2004, as amended, by majority vote at an annual meeting of the Town pursuant to M.G.L. c. 4, §4B.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accounting and reporting policies of the Trust conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Trust is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either (i) externally imposed by creditors (such as through debt covenants),

Town of Wayland
Municipal Affordable Housing Trust Fund
June 30, 2015
Notes to Financial Statements

grantors, contributors, or laws or regulations of other governments or (ii) imposed by law, through constitutional provisions or enabling legislation, or by other binding documents, e.g., the Declaration of Trust.

Enabling legislation may include a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Trust can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purpose imposed by formal action of the Trustees. Those committed amounts cannot be used for any other purpose unless the Trustees remove or change the specified use by taking the same type of action they employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that the existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Trust for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned - The unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Trust applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles may require the Trustees to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financials, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and cash equivalents

For financial statement purposes, the Trust considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Town of Wayland
Municipal Affordable Housing Trust Fund
June 30, 2015
Notes to Financial Statements

Revenue Recognition

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term payables, if any, are recorded only when payment is due.

Transfers In and Out

Transfers from the Town of Wayland's Community Preservation Fund are reported as restricted funds as the use of such funds must be used for "community housing" as defined in M.G.L. c. 44B, §1 et seq. of the Community Preservation Act ("CPA") and use of such funds is further subject to the CPA's restrictions and limitations. Transfers from the Town of Wayland's general fund are also classified as "restricted" for financial statement purposes meaning that such funds are restricted to be used by the Trust in advancing its purpose pursuant to M.G.L. c. 44 §55C.

Inclusionary Housing Payments Receivable

This includes inclusionary housing payments due to the Trust at the end of the fiscal year that have not been paid either directly to the Trust or to the Town of Wayland (see Note 4).

3. Cash and cash equivalents

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned. M.G.L. c. 44 §55 limits the Trust'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 of Wayland'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 combined from all Town's funds in any single financial institution that is not fully collateralized. The Trust does not have a separate custodial credit risk policy.

As of June 30, 2015, deposits in excess of FDIC limits (Federal Deposit Insurance Corporation) were insured by SIF (Share Insurance Fund).

4. Inclusionary Housing Payments

Pursuant to a vote under Article 3 at a Special Town Meeting held in November 2009 (which modified the Mixed Use Overlay District that governs the Wayland Town Center project) and certain changes to the original proposed residential development (which were approved by the Planning Board in 2013), Brendon Homes LLC, the developer of River Trail Place, a 42-unit, market rate residential condominium development project located in the Town Center ("River Trail Place"), agreed to donate an aggregate of \$537,240, or approximately \$12,791 per unit, to

Town of Wayland
Municipal Affordable Housing Trust Fund
June 30, 2015
Notes to Financial Statements

the Trust. The payments to the Trust are required to be made within thirty (30) days of the closing of the sale of each of condominium unit.

During the period October 8, 2014 to June 30, 2015, a total of fifteen (15) condominium units were sold and the developer paid the Town of Wayland a total of \$140,705 (representing payments for eleven (11) units). As of June 30, 2015, the developer owes an additional \$51,166 with respect to the remaining four (4) units sold. The Town transferred the funds it received from the developer to the Trust by depositing such funds in one of two savings accounts maintained by the Town, for the benefit of the Trust, at The Village Bank (see Note 8).

5. Transfers from the Town of Wayland

On May 11, 2015, the Town of Wayland transferred the following amounts to the Trust:

- (i) \$51,340, which was authorized by the vote of the 2014 Annual Town Meeting under Article 10 of the Warrant therefor; and
- (ii) \$419,202, which was authorized by the vote of the 2015 Annual Town Meeting under Article 13 of the Warrant therefor.

The funds authorized at the 2014 Annual Town Meeting, which were transferred from a housing fund within the Town of Wayland's revolving fund, were deposited in the savings account in which the Town deposited the inclusionary housing payments; and the funds authorized at the 2015 Annual Town Meeting, which were transferred from funds set aside in the Community Preservation Fund for community housing, were deposited in a separate savings account maintained by the Town, for the benefit of the Trust, at The Village Bank (see Notes 2 and 3).

6. Contributions

On March 14, 2015, the Trust received a \$100 contribution from one of the Trustees. This contribution was used to establish a checking and savings account at The Village Bank, both of which were established under the Trust's tax identification number (see Note 7).

7. Income and Other Taxes

Upon advice received from the Town of Wayland's town counsel, the Trust is exempt from federal income taxes by virtue of its status as an "instrumentality" of the Town of Wayland. To date, the Trust has not sought a private letter ruling from the Internal Revenue Service with respect to its status for federal income tax purposes and it is uncertain whether or not the Trust will do so in the future. The Trust timely filed an extension for filing its initial Form 1041, *U.S. Income Tax Return for Estates and Trusts*, on which the Trust will disclose its tax exempt status and indicate that no further tax returns will be filed by the Trust (see Note 8).

Pursuant to M.G.L. c. 44, §55C(g), the Trust is exempt from the provisions of M.G.L. c. 59 and 62, and from any other provisions of law concerning payment of taxes based upon or measured by property or income imposed by the Commonwealth of Massachusetts or the Town of Wayland.

8. Subsequent Events

The Trust has evaluated subsequent events through November 11, 2015, the date on which these financial statements were available to be issued.

Town of Wayland
Municipal Affordable Housing Trust Fund
June 30, 2015
Notes to Financial Statements

Between July 1, 2015 and November 11, 2015, the Town received the following amounts from Brendon Homes LLC, the developer of River Trail Place: (i) \$51,166 with respect to four (4) condominium units sold on or before June 30, 2015; and (ii) \$140,706 with respect to eleven (11) additional condominium units that were sold between July 1, 2015 and November 11, 2015.

The Town transferred \$179,080, of the \$191,872 it received from Brendon Homes LLC, to the Trust by depositing the following amounts to the savings account described in Note 4: (i) \$63,957 on July 22, 2015; (ii) \$63,957 on July 28, 2015; and (iii) \$51,166 on October 29, 2015.

On September 11, 2015, the Trust timely filed its initial Form 1041, *U.S. Income Tax Return for Estates and Trusts*.