

TOWN OF BELMONT, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF BELMONT, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

TABLE OF CONTENTS

Independent Auditor's Report.....1
Management's Discussion and Analysis3
Basic Financial Statements11
 Statement of net position13
 Statement of activities14
 Governmental funds – balance sheet16
 Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position17
 Governmental funds – statement of revenues, expenditures and changes in fund balances18
 Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....19
 Proprietary funds – statement of net position20
 Proprietary funds – statement of revenues, expenses and changes in net position21
 Proprietary funds – statement of cash flows22
 Fiduciary funds – statement of fiduciary net position.....23
 Fiduciary funds – statement of changes in fiduciary net position24
 Notes to basic financial statements25
Required Supplementary Information.....55
 Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual56
 Other Postemployment Benefit Plan Schedules.....58
 Other postemployment benefit plan funding progress and employer contributions.....59
 Other postemployment benefit plan actuarial methods and assumptions60
 Notes to required supplementary information.....61



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Belmont, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, Massachusetts, as of and for the year ended June 30, 2013 (except for the Belmont Contributory Retirement System which is as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the Town of Belmont, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 did not audit the financial statements of the Belmont Municipal Light Plant as of December 31, 2012, which represent 43.2%, 34.2%, and 61.0%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities of the Belmont Municipal Light Plant, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, 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 Belmont, Massachusetts, as of June 30, 2013 (except for the Belmont Contributory Retirement System and Municipal Light Plant which is as of and for the year ended December 31, 2012), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2014, on our consideration of the Town of Belmont, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Belmont, Massachusetts' internal control over financial reporting and compliance.

Powers + Sullivan, LLC

January 16, 2014

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Belmont, we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013.

The Town provides general government services for the territory within its boundaries, including police and fire protection, public education, water and sewer maintenance, trash disposal, electricity transmission and parks and recreational facilities.

Financial Summary

- The Town's assets exceeded its liabilities at the close of fiscal year 2013 by \$119.5 million.
- The Town's total net position decreased by \$3.9 million.
- At the end of fiscal year 2013, the unassigned fund balance for the general fund was \$10.4 million or 11.1% of general fund expenditures.
- This is the fifth year since the Town implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. At year end, the postemployment benefit (OPEB) liability totaled \$57.6 million. Please see Note 13 in the financial statements for further details.
- To offset the impact of OPEB liability, the Town established an Other Postemployment Benefits Trust Fund (Trust) to account for funds set aside to help meet future postemployment benefit costs for retirees. During fiscal 2013, the Light Plant transferred \$12 thousand and the Trust received \$52 thousand in investment income, bringing the balance to \$1.4 million. The Town voted to transfer \$242 thousand into the fund during fiscal year 2014.
- At fiscal year end, the balance in the Town's Internal Service Fund totaled \$5.7 million, a decrease of \$43 thousand from the prior year.

Overview of the Financial Statements

Our discussion and analysis of the Town is intended to serve as an introduction to the Town of Belmont's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This analysis also contains other required 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 the Town's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the Town's 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 of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town'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 result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick and vacation time).

Both of the government-wide statement of activities distinguish functions of the Town 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 of the Town include general government, public safety, education, public works, human services, culture and recreation, community preservation and interest. The business-type activities of the Town include the water, sewer and light plant.

The government-wide financial statements include not only the Town of Belmont itself (known as the *primary government*), but also a legally separate public employee retirement system for which the Town of Belmont is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

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 of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

The Town has implemented GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this standard changed the fund balance components to nonspendable, restricted, committed, assigned and unassigned. Additionally, under the new standard, the Town's general stabilization fund is reported within the general fund as unassigned while the Ash Landfill stabilization fund and the SPED stabilization fund are reported within the general fund as committed.

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 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*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the wellington school construction fund and the community preservation fund, which are the Town's major governmental funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation.

The Town of Belmont adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as Required Supplementary Information fund to demonstrate compliance with this budget.

Proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer systems and light plant activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer systems, the light plant activities and the internal service fund all of which are considered to be major funds of the Town.

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 statement because the resources of those funds are *not* available to support the Town's own programs.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: a pension trust fund, an other postemployment benefit trust, private purpose trust funds, and agency funds. Private purpose trust funds are used to account for trust arrangements that benefit individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Town's agency fund accounts for primarily police off-duty details and school student activity funds.

The Town is the trustee, or fiduciary, for its employees' pension plan and other postemployment benefit plan. The Town's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

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

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As noted below, assets exceeded liabilities by \$78.7 million at the close of the most recent fiscal year.

	FY2013		FY2012
	Governmental		Governmental
	Activities		Activities
	<hr/>		<hr/>
Assets:			
Current assets.....	\$ 49,432,739	\$	48,002,916
Noncurrent assets (excluding capital).....	995,180		1,100,490
Capital assets.....	136,836,307		135,931,765
Total assets.....	<hr/> 187,264,226		<hr/> 185,035,171
Liabilities:			
Current liabilities (excluding debt).....	7,309,229		6,490,856
Noncurrent liabilities (excluding debt).....	59,550,440		48,283,155
Current debt.....	3,364,191		3,593,191
Noncurrent debt.....	38,333,862		41,698,053
Total liabilities.....	<hr/> 108,557,722		<hr/> 100,065,255
Net Position:			
Capital assets net of related debt.....	99,262,443		95,370,154
Restricted.....	4,272,253		4,234,867
Unrestricted.....	<hr/> (24,828,192)		<hr/> (14,635,105)
Total net position.....	<hr/> \$ 78,706,504	\$	<hr/> 84,969,916

A significant portion of the Town's net position, \$99.3 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of its related

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

An additional portion of the Town's net position, \$4.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of *unrestricted net position*, of \$24.8 million is due to the recognition of the liability associated with GASB Statement #45. The deficit balance indicates that the Town does not have enough reserves to meet its ongoing short-term and long-term obligation to its citizens and creditors.

The governmental activities net position decreased by \$6.3 million in the current fiscal year. The decrease was primarily due a \$13.1 million increase in the other postemployment benefits liability. In fiscal year 2013, the liability, based on its most recent actuarial valuation, totaled \$53.4 million. The decrease was offset by \$1.5 million of capital grants related to MSBA funding of school projects, Chapter 90 highway grants, and State matching CPA fund grants. Other elements affecting net position were; a \$763 thousand decrease in the accrual for the landfill liability; a surplus of \$1.1 million in the community preservation fund; the timing difference between the receipt and expenditure of federal and state grant funds; and the Town's ability to fund capital additions (approximately \$2.1 million) from current year revenues.

Key elements of the change in net position are as follows:

	FY2013		FY2012
	Governmental		Governmental
	Activities		Activities
	<hr/>		<hr/>
Program revenues:			
Charges for services.....	\$ 6,467,836	\$	6,201,488
Operating grants and contributions.....	18,183,030		18,170,169
Capital grants and contributions.....	1,508,432		761,629
General Revenues:			
Real estate and personal property taxes.....	71,037,653		69,223,311
Tax liens.....	515,334		227,894
Motor vehicle and other excise taxes.....	3,112,953		2,851,220
Community preservation tax.....	896,125		858,812
Premium from issuance of bonds.....	-		171,965
Nonrestricted grants.....	2,402,949		2,357,516
Penalties and interest on taxes.....	378,917		188,785
Unrestricted investment income.....	975,803		363,603
Total revenues.....	<hr/> 105,479,032		<hr/> 101,376,392
Expenses:			
General government.....	7,067,537		6,285,124
Public safety.....	20,597,571		17,193,000
Education.....	68,960,876		65,921,496
Public works.....	9,776,192		10,087,492
Human services.....	1,345,467		1,235,136
Culture and recreation.....	3,198,779		2,930,988
Interest.....	1,634,086		1,830,060
Total expenses.....	<hr/> 112,580,508		<hr/> 105,483,296
Transfers.....	<hr/> 838,064		<hr/> 999,853
Change in net position.....	<hr/> \$ (6,263,412)	\$	<hr/> (3,107,051)

Business-type activities

Combined business-type activities net position increased by \$2.4 million in the current year. The following table identifies key elements of the enterprise operations:

	FY2013 Business-type Activities	FY2012 Business-type Activities
Assets:		
Current assets.....	\$ 28,792,838	\$ 18,829,551
Noncurrent assets (excluding capital).....	2,602,716	1,840,872
Capital assets.....	46,511,058	39,643,621
Total assets.....	<u>77,906,612</u>	<u>60,314,044</u>
Liabilities:		
Current liabilities (excluding debt).....	4,301,360	2,950,816
Noncurrent liabilities (excluding debt).....	4,534,591	4,025,280
Current debt.....	15,256,161	1,136,150
Noncurrent debt.....	13,016,444	13,772,602
Total liabilities.....	<u>37,108,556</u>	<u>21,884,848</u>
Net Position:		
Capital assets net of related debt.....	28,697,850	28,564,544
Unrestricted.....	12,100,206	9,864,652
Total net position.....	<u>40,798,056</u>	<u>38,429,196</u>
Program revenues:		
Charges for services.....	33,856,258	33,574,377
Capital grants and contributions.....	-	457,695
General Revenues:		
Unrestricted investment income.....	16,649	18,069
Total revenues.....	<u>33,872,907</u>	<u>34,050,141</u>
Expenses:		
Water.....	4,327,920	4,394,914
Sewer.....	6,972,704	6,626,462
Light.....	19,270,550	19,843,156
Total expenses.....	<u>30,571,174</u>	<u>30,864,532</u>
Transfers.....	<u>(932,873)</u>	<u>(999,853)</u>
Change in net position.....	<u>\$ 2,368,860</u>	<u>\$ 2,185,756</u>

Financial Analysis of the Town’s Governmental Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$32.3 million. Of this amount \$17.7 million relates to the general fund, a deficit of \$201 thousand relates to the wellington school construction fund, \$2.0 million relates to the community preservation Fund, and \$12.8 million relates to the nonmajor governmental funds. Overall fund balance increased by \$1.0 million in fiscal year 2013. This was due to a surplus in the general fund of \$32 thousand, the timing of grant expenditures versus the recognition of revenue and community preservation fund surpluses offsetting expenditures of the wellington school construction fund.

The general fund is the chief operating fund. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$10.4 million, while the total fund balance was \$17.7 million. As a measure of the general

fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11.1% of general fund budgetary expenditures, while total fund balance represents 19.0% of that same amount. During fiscal year 2013, the fund balance of the general fund increased by \$33 thousand. The increase was primarily due to a budgetary surplus of \$980 thousand along with an increase in the accrual for 60 day receipts of real and personal property taxes of \$102 thousand. These increases were offset by a transfer out of the Ash Landfill Stabilization fund recorded as part of the general fund for GAAP reporting to the capital projects fund and an increase in the Town's estimate for Appellate Tax Board cases of \$237 thousand.

The Wellington School construction fund is used to account for the activities related to the construction of the new school building. During fiscal year 2013, the Town spent \$1.0 million on the project. At June 30, 2013, the fund has a deficit balance of \$201 thousand. The deficit will be funded with available funds and grant proceeds in future fiscal years. The project is essentially complete as of June 30, 2013.

The community preservation fund had a fund balance at June 30, 2013 of \$2.0 million. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge on property taxes and to receive matching state grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing. The fund increased \$1.1 million during fiscal year 2013 due to the receipt of both state grants and the tax surcharges, offset by \$11.5 thousand of expenditures.

Financial Analysis of Proprietary Funds

The Water, Sewer and Light funds maintained positive results of operations and demonstrated the ability to recover all costs from rates.

The net position of the water, sewer and electric light funds increased \$2.4 million in fiscal year 2013. This performance was primarily the result of increases in water and sewer user fees while controlling their related cost structures. The results are in line with the Town's intention that the water and sewer rate structure is designed to cover all operating costs of these activities. The light department experienced an overall decrease in kilowatt hours sold due to a very mild winter, this reduction was offset by the Department's ability to cut operating costs by \$725 thousand due to a \$.0042 drop in the per KWH costs and the reduction in KWH sales, also a reduction in employee benefits due to a change in the OPEB valuation assumptions.

The internal service fund had an ending fund balance of \$5.7 million, which represents a decrease of \$43 thousand over the prior year. Claim payments exceeded contributions by \$59 thousand and the fund earned \$16 thousand in investment earnings.

General Fund Budgetary Highlights

There was a net increase of \$314 thousand between the original and final adopted budgets. Increases in public safety, public works and transfers out were offset by decreases in general government and employee benefits.

Capital Asset and Debt Administration

Capital Asset Administration

The Town of Belmont's investment in capital assets for its governmental and business type activities as of June 30, 2013 amounted to \$183.3 million (net of depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, and infrastructure

assets. The Town's major capital projects relate to the Wellington School project, an MWPAT Sewer project and various other infrastructure projects.

In conjunction with the operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The Town annually budgets over \$2.0 million per year from current-year appropriations for capital projects.

Debt Administration

Outstanding governmental long-term debt, as of June 30, 2013, totaled \$41.7 million of which \$26.9 million relates to various School construction projects, \$10.0 million of refunding bonds, \$2.5 million relates to the senior center project and \$1.8 million relates to the Fire Station construction, leaving a balance of \$512 thousand for other CIP projects. The enterprise funds have \$3.8 million in water debt, and \$10.4 million in sewer debt, all of which are fully supported by the rates.

The Town has an "Aaa" rating from Moody's for general obligation debt.

Please refer to notes 4, 7, and 8 for further discussion of the major capital and debt activity.

Economic Factors and Next Year's Budget

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2% taxing limitations can be overridden by Town-wide referendum vote. The Town has taken advantage of this override capability to increase operating budgets and so-called "debt exclusions" that are not subject to the Proposition 2-1/2% limitations.

The Town collects 99% of its property tax billings in the year billed. Property taxes billed were \$72.1 million in fiscal year 2013. \$1.6 million of this increase was the allowable increase under Proposition 2 1/2. \$720 thousand of this increase is the product of the certified new growth of the Town. Within this levy approximately \$4.6 million of previous debt exclusions were paid off.

The Town continues to experience growth in residential renovation and development. In fiscal year 2013, 1041 building permits were issued, resulting in \$54.0 million in taxable value. This is an increase in the number of permits issued resulting in an overall \$5.3 million increase in taxable value from the 2012 value levels, which generated 917 permits resulting in \$48.7 million in value. This activity has produced new growth tax revenue, which is exempt from the limitation imposed by Proposition 2 1/2. For fiscal year 2013, the Town realized \$720,338 in new taxes from this source.

The unemployment rate for Belmont as of August 2013 was 4.3% compared to the state figure of 7.2% and the nationwide figure of 7.3%.

Requests for Information

This financial report is designed to provide a general overview of the Town of Belmont's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Town Hall, 19 Moore Street, Belmont, MA 02478.

Basic Financial Statements

This page intentionally left blank.

STATEMENT OF NET POSITION

JUNE 30, 2013

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 32,670,035	\$ 21,473,251	\$ 54,143,286
Investments.....	11,655,460	-	11,655,460
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	892,564	-	892,564
Real estate tax deferrals.....	660,050	-	660,050
Tax liens.....	1,093,884	45,563	1,139,447
Motor vehicle excise taxes.....	225,747	-	225,747
User fees.....	-	5,068,556	5,068,556
Departmental and other.....	426,627	-	426,627
Intergovernmental.....	1,671,711	61,132	1,732,843
Inventory.....	16,563	456,325	472,888
Prepaid expenses.....	-	35,693	35,693
Purchased power advanced deposits.....	-	1,652,318	1,652,318
Unamortized bond issue costs.....	29,112	-	29,112
Deferred charges on refunding.....	90,986	-	90,986
NONCURRENT:			
Restricted cash and cash equivalents.....	-	2,602,716	2,602,716
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	331,000	-	331,000
Unamortized bond issue costs.....	235,216	-	235,216
Deferred charges on refunding.....	428,964	-	428,964
Capital assets, non depreciable.....	16,510,600	8,189,218	24,699,818
Capital assets, depreciable.....	120,325,707	38,321,840	158,647,547
TOTAL ASSETS.....	187,264,226	77,906,612	265,170,838
LIABILITIES			
CURRENT:			
Warrants payable.....	1,786,122	2,611,204	4,397,326
Accrued liabilities.....	-	132,032	132,032
Accrued payroll.....	464,177	27,756	491,933
Health claims payable.....	1,800,000	-	1,800,000
Tax refunds payable.....	601,000	-	601,000
Accrued interest.....	715,624	78,306	793,930
Other liabilities.....	630,523	1,437,411	2,067,934
Capital lease obligations.....	287,900	-	287,900
Landfill closure.....	824,000	-	824,000
Compensated absences.....	70,236	14,651	84,887
Unamortized premium on bonds payable.....	129,647	-	129,647
Notes payable.....	-	14,000,000	14,000,000
Bonds payable.....	3,364,191	1,256,161	4,620,352
NONCURRENT:			
Capital lease obligations.....	701,031	-	701,031
Landfill closure.....	2,220,200	-	2,220,200
Compensated absences.....	1,334,491	278,407	1,612,898
Unamortized premium on bonds payable.....	1,919,392	-	1,919,392
Other postemployment benefits.....	53,375,326	4,256,184	57,631,510
Bonds payable.....	38,333,862	13,016,444	51,350,306
TOTAL LIABILITIES.....	108,557,722	37,108,556	145,666,278
NET POSITION			
Net investment in capital assets.....	99,262,443	28,697,850	127,960,293
Restricted for:			
Permanent funds:			
Expendable.....	1,230,520	-	1,230,520
Nonexpendable.....	2,239,691	-	2,239,691
Other purposes.....	802,042	-	802,042
Unrestricted.....	(24,828,192)	12,100,206	(12,727,986)
TOTAL NET POSITION.....	\$ 78,706,504	\$ 40,798,056	\$ 119,504,560

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 7,067,537	\$ 477,853	\$ 97,138	\$ 1,915	\$ (6,490,631)
Public safety.....	20,597,571	961,892	169,939	-	(19,465,740)
Education.....	68,960,876	2,963,687	17,633,068	502,898	(47,861,223)
Public works.....	9,776,192	1,016,840	1,615	533,201	(8,224,536)
Human services.....	1,345,467	212,575	169,608	-	(963,284)
Culture and recreation.....	3,198,779	834,989	60,062	-	(2,303,728)
Community preservation.....	-	-	-	470,418	470,418
Interest.....	1,634,086	-	51,600	-	(1,582,486)
Total Governmental Activities.....	112,580,508	6,467,836	18,183,030	1,508,432	(86,421,210)
<i>Business-Type Activities:</i>					
Water.....	4,327,920	5,490,325	-	-	1,162,405
Sewer.....	6,972,704	7,709,487	-	-	736,783
Light.....	19,270,550	20,656,446	-	-	1,385,896
Total Business-Type Activities.....	30,571,174	33,856,258	-	-	3,285,084
Total Primary Government.....	\$ 143,151,682	\$ 40,324,094	\$ 18,183,030	\$ 1,508,432	\$ (83,136,126)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (86,421,210)	\$ 3,285,084	\$ (83,136,126)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	71,037,653	-	71,037,653
Tax liens.....	515,334	-	515,334
Motor vehicle and other excise taxes.....	3,112,953	-	3,112,953
Community preservation tax.....	896,125	-	896,125
Penalties and interest on taxes.....	378,917	-	378,917
Grants and contributions not restricted to specific programs.....	2,402,949	-	2,402,949
Unrestricted investment income.....	975,803	16,649	992,452
<i>Transfers, net</i>	838,064	(932,873)	(94,809)
Total general revenues and transfers.....	<u>80,157,798</u>	<u>(916,224)</u>	<u>79,241,574</u>
Change in net position.....	(6,263,412)	2,368,860	(3,894,552)
<i>Net Position:</i>			
Beginning of year.....	<u>84,969,916</u>	<u>38,429,196</u>	<u>123,399,112</u>
End of year.....	\$ <u><u>78,706,504</u></u>	\$ <u><u>40,798,056</u></u>	\$ <u><u>119,504,560</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2013

ASSETS	General	Wellington School Construction	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 17,995,050	\$ 116,339	\$ 908,815	\$ 6,136,565	\$ 25,156,769
Investments.....	3,624,369	-	1,096,289	6,934,802	11,655,460
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	883,828	-	8,736	-	892,564
Real estate tax deferrals.....	660,050	-	-	-	660,050
Tax liens.....	1,093,884	-	-	-	1,093,884
Motor vehicle excise taxes.....	225,747	-	-	-	225,747
Departmental and other.....	414,602	-	-	12,025	426,627
Intergovernmental.....	834,000	-	470,418	698,293	2,002,711
TOTAL ASSETS.....	\$ 25,731,530	\$ 116,339	\$ 2,484,258	\$ 13,781,685	\$ 42,113,812
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 1,224,859	\$ 317,095	\$ -	\$ 224,823	\$ 1,766,777
Accrued payroll.....	447,759	-	-	16,418	464,177
Tax refunds payable.....	601,000	-	-	-	601,000
Other liabilities.....	630,523	-	-	-	630,523
Deferred revenues.....	5,148,331	-	479,153	710,318	6,337,802
TOTAL LIABILITIES.....	8,052,472	317,095	479,153	951,559	9,800,279
FUND BALANCES:					
Nonspendable.....	-	-	-	2,239,691	2,239,691
Restricted.....	-	-	2,005,105	10,590,435	12,595,540
Committed.....	3,627,111	-	-	-	3,627,111
Assigned.....	3,672,302	-	-	-	3,672,302
Unassigned.....	10,379,645	(200,756)	-	-	10,178,889
TOTAL FUND BALANCES.....	17,679,058	(200,756)	2,005,105	12,830,126	32,313,533
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 25,731,530	\$ 116,339	\$ 2,484,258	\$ 13,781,685	\$ 42,113,812

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

Total governmental fund balances.....	\$	32,313,533
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		136,836,307
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		6,337,802
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		5,693,921
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(715,624)
Inventory is capitalized in the Statement of Activities.....		16,563
Bond issue costs are capitalized in the Statement of Activities.....		264,328
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable.....	(41,698,053)	
Capital lease obligations.....	(988,931)	
Landfill closure.....	(3,044,200)	
Unamortized premium on bonds payable.....	(2,049,039)	
Other postemployment benefits payable.....	(53,375,326)	
Compensated absences.....	<u>(1,404,727)</u>	
Net effect of reporting long-term liabilities.....		<u>(102,560,276)</u>
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued.....		<u>519,950</u>
Net position of governmental activities.....	\$	<u><u>78,706,504</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

	General	Wellington School Construction	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 71,175,012	\$ -	\$ -	\$ -	\$ 71,175,012
Tax liens.....	252,308	-	-	-	252,308
Motor vehicle and other excise taxes.....	3,024,663	-	-	-	3,024,663
Charges for services.....	2,070,994	-	-	-	2,070,994
Penalties and interest on taxes.....	378,917	-	-	-	378,917
Licenses and permits.....	1,032,556	-	-	-	1,032,556
Fines and forfeitures.....	228,339	-	-	-	228,339
Intergovernmental.....	17,369,944	-	232,884	3,429,459	21,032,287
Departmental and other.....	-	-	-	3,624,986	3,624,986
Community preservation tax.....	-	-	917,239	-	917,239
Contributions.....	-	-	-	160,489	160,489
Investment income.....	155,945	-	8,645	795,325	959,915
Miscellaneous.....	-	-	-	2,399	2,399
TOTAL REVENUES.....	95,688,678	-	1,158,768	8,012,658	104,860,104
EXPENDITURES:					
Current:					
General government.....	3,305,468	-	11,456	402,217	3,719,141
Public safety.....	11,704,673	-	-	395,410	12,100,083
Education.....	53,058,737	1,047,172	-	6,815,145	60,921,054
Public works.....	8,214,116	-	-	2,569,274	10,783,390
Human services.....	779,276	-	-	115,781	895,057
Culture and recreation.....	2,564,609	-	-	80,110	2,644,719
Pension benefits.....	5,281,527	-	-	-	5,281,527
Employee benefits.....	1,452,565	-	-	-	1,452,565
State and county charges.....	1,642,046	-	-	-	1,642,046
Debt service:					
Principal.....	3,593,191	-	-	-	3,593,191
Interest.....	1,651,735	-	-	-	1,651,735
TOTAL EXPENDITURES.....	93,247,943	1,047,172	11,456	10,377,937	104,684,508
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	2,440,735	(1,047,172)	1,147,312	(2,365,279)	175,596
OTHER FINANCING SOURCES (USES):					
Transfers in.....	1,161,873	-	-	3,566,111	4,727,984
Transfers out.....	(3,569,916)	-	-	(320,004)	(3,889,920)
TOTAL OTHER FINANCING SOURCES (USES).....	(2,408,043)	-	-	3,246,107	838,064
NET CHANGE IN FUND BALANCES.....	32,692	(1,047,172)	1,147,312	880,828	1,013,660
FUND BALANCES AT BEGINNING OF YEAR.....	17,646,366	846,416	857,793	11,949,298	31,299,873
FUND BALANCES AT END OF YEAR.....	\$ 17,679,058	\$ (200,756)	\$ 2,005,105	\$ 12,830,126	\$ 32,313,533

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds.....		\$	1,013,660
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>			
Capital outlay.....			5,156,073
Depreciation expense.....			<u>(4,251,531)</u>
Net effect of reporting capital assets.....			904,542
<p>Governmental funds report inventories as expenditures. However in the Statement of Activities the cost of those assets is capitalized and expensed when depleted.....</p>			
			(115,244)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>			
			603,040
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>			
Amortization of issuance costs.....			(29,112)
Amortization of bond premiums.....			129,647
Amortization of deferred charges.....			(77,991)
Principal payments on capital leases.....			279,009
Debt service principal payments.....			<u>3,593,191</u>
Net effect of reporting long-term debt.....			3,894,744
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>			
Net change in compensated absences accrual.....			(151,238)
Net change in accrued interest on long-term debt.....			(4,895)
Net change in landfill closure accrual.....			763,300
Net change in other postemployment benefits.....			<u>(13,128,456)</u>
Net effect of recording long-term liabilities and amortizing deferred losses.....			(12,521,289)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>			
The net activity of internal service funds is reported with Governmental Activities.....			<u>(42,865)</u>
Change in net position of governmental activities.....		\$	<u><u>(6,263,412)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2012)	Total	
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 4,364,113	\$ 4,144,318	\$ 12,964,820	\$ 21,473,251	\$ 7,513,266
Receivables, net of allowance for uncollectibles:					
Tax liens.....	17,608	27,955	-	45,563	-
User fees.....	1,329,644	1,978,100	1,760,812	5,068,556	-
Intergovernmental.....	-	61,132	-	61,132	-
Inventory.....	158,298	15,781	282,246	456,325	-
Prepaid expenses.....	-	-	35,693	35,693	-
Purchased power advanced deposits.....	-	-	1,652,318	1,652,318	-
Total current assets.....	<u>5,869,663</u>	<u>6,227,286</u>	<u>16,695,889</u>	<u>28,792,838</u>	<u>7,513,266</u>
NONCURRENT:					
Restricted cash and cash equivalents.....	-	-	2,602,716	2,602,716	-
Capital assets, non depreciable.....	828,648	-	7,360,570	8,189,218	-
Capital assets, depreciable.....	11,069,430	20,245,040	7,007,370	38,321,840	-
Total noncurrent assets.....	<u>11,898,078</u>	<u>20,245,040</u>	<u>16,970,656</u>	<u>49,113,774</u>	<u>-</u>
TOTAL ASSETS.....	<u><u>17,767,741</u></u>	<u><u>26,472,326</u></u>	<u><u>33,666,545</u></u>	<u><u>77,906,612</u></u>	<u><u>7,513,266</u></u>
LIABILITIES					
CURRENT:					
Warrants payable.....	876,153	42,960	1,692,091	2,611,204	19,345
Accrued liabilities.....	-	-	132,032	132,032	-
Accrued payroll.....	14,652	13,104	-	27,756	-
Health claims payable.....	-	-	-	-	1,800,000
Accrued interest.....	-	78,306	-	78,306	-
Compensated absences.....	2,947	3,433	8,271	14,651	-
Notes payable.....	-	-	14,000,000	14,000,000	-
Bonds payable.....	571,356	684,805	-	1,256,161	-
Total current liabilities.....	<u>1,465,108</u>	<u>822,608</u>	<u>15,832,394</u>	<u>18,120,110</u>	<u>1,819,345</u>
NONCURRENT:					
Compensated absences.....	56,028	65,236	157,143	278,407	-
Other liabilities.....	-	-	1,437,411	1,437,411	-
Other postemployment benefits.....	1,154,276	833,993	2,267,915	4,256,184	-
Bonds payable.....	3,257,024	9,759,420	-	13,016,444	-
Total noncurrent liabilities.....	<u>4,467,328</u>	<u>10,658,649</u>	<u>3,862,469</u>	<u>18,988,446</u>	<u>-</u>
TOTAL LIABILITIES.....	<u><u>5,932,436</u></u>	<u><u>11,481,257</u></u>	<u><u>19,694,863</u></u>	<u><u>37,108,556</u></u>	<u><u>1,819,345</u></u>
NET POSITION					
Net investment in capital assets.....	9,110,872	11,676,669	7,910,309	28,697,850	-
Unrestricted.....	2,724,433	3,314,400	6,061,373	12,100,206	5,693,921
TOTAL NET POSITION.....	<u><u>\$ 11,835,305</u></u>	<u><u>\$ 14,991,069</u></u>	<u><u>\$ 13,971,682</u></u>	<u><u>\$ 40,798,056</u></u>	<u><u>\$ 5,693,921</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2012)	Total	
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ 3,026,905
Employer contributions	-	-	-	-	9,588,778
Charges for services	5,488,717	7,709,487	20,235,029	33,433,233	-
Other	1,608	-	421,417	423,025	1,109,808
TOTAL OPERATING REVENUES	5,490,325	7,709,487	20,656,446	33,856,258	13,725,491
OPERATING EXPENSES:					
Cost of services and administration	3,960,458	6,173,312	18,022,621	28,156,391	-
Depreciation	367,462	543,334	1,247,924	2,158,720	-
Employee benefits	-	-	-	-	13,784,244
TOTAL OPERATING EXPENSES	4,327,920	6,716,646	19,270,545	30,315,111	13,784,244
OPERATING INCOME (LOSS)	1,162,405	992,841	1,385,901	3,541,147	(58,753)
NONOPERATING REVENUES (EXPENSES):					
Investment income	6,215	6,177	4,257	16,649	15,888
Interest expense	-	(256,058)	(5)	(256,063)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	6,215	(249,881)	4,252	(239,414)	15,888
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,168,620	742,960	1,390,153	3,301,733	(42,865)
TRANSFERS:					
Transfers out	(157,873)	(125,000)	(650,000)	(932,873)	-
CHANGE IN NET POSITION	1,010,747	617,960	740,153	2,368,860	(42,865)
NET POSITION AT BEGINNING OF YEAR	10,824,558	14,373,109	13,231,529	38,429,196	5,736,786
NET POSITION AT END OF YEAR	\$ 11,835,305	\$ 14,991,069	\$ 13,971,682	\$ 40,798,056	\$ 5,693,921

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2012)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 5,471,138	\$ 7,568,202	\$ 20,431,375	\$ 33,470,715	\$ -
Receipts from interfund services provided.....	-	-	-	-	13,725,491
Payments to vendors.....	(2,597,822)	(5,856,544)	(14,267,679)	(22,722,045)	-
Payments to employees.....	(1,234,714)	(103,350)	(3,430,403)	(4,768,467)	-
Payments for interfund services used.....	-	-	-	-	(13,565,146)
NET CASH FROM OPERATING ACTIVITIES.....	1,638,602	1,608,308	2,733,293	5,980,203	160,345
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out.....	(157,873)	(125,000)	(650,000)	(932,873)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	500,000	-	14,000,000	14,500,000	-
Acquisition and construction of capital assets.....	(720,291)	(1,073,921)	(6,406,435)	(8,200,647)	-
Principal payments on bonds and notes.....	(521,355)	(614,792)	-	(1,136,147)	-
Interest expense.....	-	(244,569)	(5)	(244,574)	-
Intergovernmental.....	-	-	-	-	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(741,646)	(1,933,282)	7,593,560	4,918,632	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Rate stabilization reserve.....	-	-	302,902	302,902	-
Investment income.....	6,215	6,177	4,257	16,649	15,888
NET CASH FROM INVESTING ACTIVITIES.....	6,215	6,177	307,159	319,551	15,888
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	745,298	(443,797)	9,984,012	10,285,513	176,233
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	3,618,815	4,588,115	5,583,524	13,790,454	7,337,033
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 4,364,113	\$ 4,144,318	\$ 15,567,536	\$ 24,075,967	\$ 7,513,266
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 1,162,405	\$ 992,841	\$ 1,385,901	\$ 3,541,147	\$ (58,753)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	367,462	543,334	1,247,924	2,158,720	-
Changes in assets and liabilities:					
Tax liens.....	23,031	30,798	-	53,829	-
User fees.....	(42,218)	(172,083)	(233,137)	(447,438)	-
Inventory.....	(32,314)	(4,736)	3,700	(33,350)	-
Prepaid expenses.....	-	-	(12,409)	(12,409)	-
Purchased power advance deposits.....	-	-	(250)	(250)	-
Other postemployment benefits obligation.....	234,352	230,153	62,720	527,225	-
Warrants payable.....	(98,784)	(29,794)	185,666	57,088	19,098
Accrued liabilities.....	-	-	118,678	118,678	-
Accrued payroll.....	14,652	13,104	-	27,756	-
Health claims payable.....	-	-	-	-	200,000
Other liabilities.....	-	-	8,066	8,066	-
Accrued compensated absences.....	10,016	4,691	(33,566)	(18,859)	-
Total adjustments.....	476,197	615,467	1,347,392	2,439,056	219,098
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,638,602	\$ 1,608,308	\$ 2,733,293	\$ 5,980,203	\$ 160,345

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY POSITION

JUNE 30, 2013

	Pension Trust Fund (as of December 31, 2012)	Other Postemployment Benefit Trust	Private Purpose Trust Funds	Agency Funds
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 829,195	\$ 17,862	\$ 311,778	\$ 297,473
Investments.....	67,715,347	1,363,001	472,095	24,015
Due from general fund.....	3,235,480	-	-	-
Other assets.....	-	-	-	117,371
TOTAL ASSETS.....	71,780,022	1,380,863	783,873	438,859
LIABILITIES				
Warrants payable.....	120,098	-	-	45,055
Accrued liabilities.....	-	-	-	20,039
Liabilities due depositors.....	-	-	-	256,394
Deferred revenue.....	-	-	-	117,371
TOTAL LIABILITIES.....	120,098	-	-	438,859
NET POSITION				
Held in trust for retirement, OPEB benefits, and other purposes.....	\$ <u>71,659,924</u>	\$ <u>1,380,863</u>	\$ <u>783,873</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Pension Trust Fund (as of December 31, 2012)	Other Postemployment Benefit Trust	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer.....	\$ 6,481,131	\$ 11,952	\$ -
Employee.....	2,131,473	-	-
Miscellaneous.....	-	-	36,309
Total contributions.....	<u>8,612,604</u>	<u>11,952</u>	<u>36,309</u>
Net investment income (loss):			
Net change in fair value of investments.....	6,493,295	52,211	-
Interest.....	1,567,358	-	18,496
Total investment income (loss).....	<u>8,060,653</u>	<u>52,211</u>	<u>18,496</u>
Less: investment expense.....	<u>(390,039)</u>	<u>-</u>	<u>-</u>
Net investment income (loss).....	<u>7,670,614</u>	<u>52,211</u>	<u>18,496</u>
Intergovernmental.....	<u>129,092</u>	<u>-</u>	<u>-</u>
Transfers from other systems.....	<u>510,029</u>	<u>-</u>	<u>-</u>
TOTAL ADDITIONS.....	<u>16,922,339</u>	<u>64,163</u>	<u>54,805</u>
DEDUCTIONS:			
Administration.....	177,679	-	-
Transfers to other systems.....	652,761	-	-
Retirement benefits and refunds.....	9,374,060	-	-
Educational scholarships.....	-	-	62,850
TOTAL DEDUCTIONS.....	<u>10,204,500</u>	<u>-</u>	<u>62,850</u>
CHANGE IN NET POSITION.....	6,717,839	64,163	(8,045)
NET POSITION AT BEGINNING OF YEAR.....	<u>64,942,085</u>	<u>1,316,700</u>	<u>791,918</u>
NET POSITION AT END OF YEAR.....	<u>\$ 71,659,924</u>	<u>\$ 1,380,863</u>	<u>\$ 783,873</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Belmont, Massachusetts have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town of Belmont, Massachusetts (Town) is a municipal corporation that is governed by an elected three member Board of Selectmen. They in turn appoint a Town Administrator who has general supervision of and control over the Town's boards, commissions, officers and departments. The legislative body of the Town is the elected Town Meeting members which consist of 288 members elected for a three-year term in addition to some ex-officio members.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

Component Unit Presented as a Fiduciary Fund – The following component unit is presented as a Fiduciary Fund of the primary government due to the nature and significance of relationship between the Town and the component unit.

In the Fiduciary Funds:

- (1) The Belmont Contributory Retirement System (the System) was established to provide retirement benefits to Town employees, the Belmont Housing Authority employees and their beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, one member appointed by the Board of Selectmen and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

The System issues a publicly available audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at Town Hall, 455 Concord Ave, Belmont, MA 02478.

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

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

Major funds must be reported if the following criteria are met:

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

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

Internal service funds and fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Taxes and other items not identifiable as program revenues are reported as general revenues. For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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

The following major governmental funds are reported:

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

The *wellington school construction fund* accounts for activity related to the construction of the new Wellington School.

The *community preservation fund* is used to account for funds held for uses restricted by law for community preservation purposes. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge on property taxes and to receive matching state grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing.

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

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

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

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

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

The following major proprietary funds are reported:

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

The *sewer enterprise fund* is used to account for the sewer activities.

The *light enterprise fund* is used to account for the Town's electric light department activities.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee health program.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity by the Town for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *other postemployment benefit trust fund* is a new fund established under special legislation to accumulate resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity by the Town.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 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 August 1st, November 1st, February 1st and May 1st 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 of the levy.

Real estate tax liens are processed during the year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

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

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

Motor Vehicle Excise

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

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

Water and Sewer

User fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed every year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

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

Departmental and Other

Departmental and other receivables are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

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

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase in the fund financial statements. Such inventories are capitalized in the government-wide financial statements. Inventories of the Light Fund are carried at average cost.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, construction in progress, land improvements, buildings, machinery and equipment, vehicles and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20
Buildings.....	40-50
Machinery and equipment.....	5-20
Vehicles.....	5-15
Infrastructure.....	15-100

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

The fixed assets of the municipal light enterprise fund are capitalized upon purchase and depreciated at a rate of 3% of the cost of plant in service at the beginning of the calendar year, exclusive of land and land rights. The municipal light enterprise fund charges maintenance to expense when incurred. Replacements and betterments are charged to fixed assets.

Governmental Fund Financial Statements

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

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town did not have any items that qualify for reporting in this category.

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

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

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

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

Net position has been "restricted for" the following:

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

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

"Other purposes" represents restrictions placed on assets from outside parties.

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town meeting is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Board of Selectmen has by resolution authorized the Town Accountant to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

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

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

M. Long-term debt*Government-Wide and Proprietary Fund Financial Statements*

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

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as

other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary funds, trust funds, and internal service funds is retained within the respective fund.

O. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred. Sick leave though accrued is expensed as incurred. There is no obligation to pay for sick time upon termination of employment.

Governmental Fund Financial Statements

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

P. Use of Estimates

Government-Wide and Fund Financial Statements

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

Q. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a formal policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$43,418,382 and the bank balance totaled \$44,972,716. Of the bank balance, \$2,276,040 was covered by Federal Depository Insurance, \$24,064,778 was covered by the Depositors Insurance Fund, \$4,989,729 was collateralized, and \$13,642,169 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2012, the carrying amount of the Retirement System’s deposits totaled \$829,195 and the bank balance totaled \$930,847. All of the bank balance was covered by Federal Depository Insurance.

Investments

Listed below are the investments of the Town as of June 30, 2013 and the Retirement System as of December 31, 2012.

Town’s Investments:

Investment Type	Fair Value	Maturity			Quality Rating
		Under 1 Year	1-5 Years	6-10 Years	
<u>Debt Securities</u>					
U.S. Treasury Note.....	\$ 237,854	\$ -	\$ 127,823	\$ 110,031	AAA
Corporate Bonds.....	396,672	151,337	245,335	-	A/AA/NR
Federal National Mortgage Association.....	222,636	-	222,636	-	AAA
Federal Home Loan Mortgage Corp.....	115,483	149	115,334	-	AAA
Total Debt Securities.....	972,645	\$ 151,486	\$ 711,128	\$ 110,031	
<u>Other Investments</u>					
Equity Securities.....	2,440,231				
Negotiable Certificates of Deposit.....	8,922,759				
Mutual Funds.....	1,178,936				
Money Market Mutual Funds.....	2,092,138				
MMDT.....	11,862,595				
Total Investments.....	\$ 27,469,304				

Retirement System’s Investments:

	Fair Value	Maturity		Quality Rating
		1-5 Years	6-10 Years	
<u>Debt Securities</u>				
Scout Core Plus Bond Fund.....	\$ 11,569,897	\$ 11,569,897	\$ -	AA *
Mondrian Global Fixed Income.....	<u>2,004,690</u>	<u>-</u>	<u>2,004,690</u>	AA *
Total Debt Securities.....	13,574,587	<u>\$ 11,569,897</u>	<u>\$ 2,004,690</u>	
<u>Other Investments</u>				
Equity Mutual Funds.....	8,687,872			
Equity Securities.....	11,114,680			
PRIT Hedge Fund Account.....	8,317,593			
PRIT Alternative Fund.....	9,314,838			
PRIT Real Estate Fund.....	8,228,345			
PRIT International Equity Fund.....	6,890,762			
PRIT Fund.....	<u>1,586,670</u>			
Total Investments.....	<u>\$ 67,715,347</u>			

* Duration of underlying holdings in Scout Core Mutual Fund is 2.4 years and Mondrian Global Fixed Income Fund is 5.4 years.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Of the Town’s investments in U.S. Treasury Notes, corporate bonds, asset backed securities, and equity securities, as detailed above the Town has a custodial credit risk exposure of \$3,412,876 because the related securities are uninsured, unregistered and held by the counterparty.

The Town’s investment policy states that before conducting any business with a brokerage house that the Town must obtain a copy of their latest audited financial statement, proof of National Association of Security Dealers certification, and proof of credit worthiness, which the Town defines as at least five years in operation and minimum capital of \$10 million.

The Retirement System has custodial credit risk exposure of \$24,689,267 because the related debt and equity securities are uninsured, unregistered and held by the counterparty.

The Retirement System limits its custodial credit risk by utilizing an institutional custodial bank, currently State Street Bank, to custody all separately held securities which are registered under a nominee name that is specific to the Retirement System. Assets held in commingled fund accounts are also held in a similar fashion, with individual fund securities held in the fund’s name at their custodian bank. A small percentage of the Retirement System’s assets (typically less than 5%) may be held from time to time in commingled cash equivalent vehicles where the assets are subject to counterparty risk.

Interest Rate Risk

The Town's investment policy states that safety of principal is the foremost objective, followed by liquidity and then yield. Investments shall be made to achieve the best rate of return, taking into account safety and liquidity constraints, as well as, legal requirements while not explicitly limiting the maturities of allowable investments.

The Retirement System's fixed income assets are held in professionally managed, institutional commingled funds. The Retirement System limits its effective exposure to interest rate risk by benchmarking its commingled fixed income investment accounts to an intermediate duration benchmark (LB Aggregate) with a duration of 4-5 years. Further, the Retirement System's current fixed income investments are diversified by sector (corporate, government, asset-backed, mortgage, non-US dollar) to provide additional protection in various interest rate environments.

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 2 months.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .08 to 10.37 years.

Credit Risk

The Town's investment policy seeks to lessen the credit risk associated with certain types of investments through diversification and prudent selection of investments in line with MGL CH 44 Sec. 55B.

The Retirement System has a policy that states no more than 20% of the fixed income assets may be invested in below investment grade securities (rated BBB by Standard & Poor's) and the average duration of the fixed income portfolio cannot be more than 20% higher than the market as measured by Lehman Aggregate Index.

Concentration of Credit Risk

The Town places a limit of 10% on the amount the Town may invest in any one issuer. The Town does not have more than 10% of its investments with any one issuer as of June 30, 2013.

For the Retirement System, no fixed income security, except issues of the U. S. Government, can comprise more than 5% of the Retirement Systems assets, measured at market; and no individual portfolio can hold more than 5% of its assets in securities of any single entity, except issues of the U. S. Government. Further, no equity security can comprise more than 5% of the equity portfolio measured at book value. The Retirement System does have investments in individual commingled mutual funds and trusts that represent more than 5% of the Retirement System's assets, but in each case these investments are in institutional commingled funds that are invested in diversified portfolios of between 50 and 200 individual securities.

Foreign Currency Risk

The Retirement System's exposure to foreign currency risk is attributable to its investments in individual commingled mutual funds and trusts that are invested in diversified (by country and security) portfolios on international stocks and bonds that are denominated in foreign currencies. The Retirement System's combined policy target allocation to all non-US securities is currently 20% of the Retirement System's total assets (12% international equities and 8% international bonds).

NOTE 3 – RECEIVABLES

At June 30, 2013, receivables for the individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 895,203	\$ (2,639)	\$ 892,564
Real estate tax deferrals.....	660,050	-	660,050
Tax liens.....	1,093,884	-	1,093,884
Motor vehicle and other excise taxes.....	459,028	(233,281)	225,747
Departmental and other.....	643,899	(217,272)	426,627
Intergovernmental.....	2,002,711	-	2,002,711
Total.....	<u>\$ 5,754,775</u>	<u>\$ (453,192)</u>	<u>\$ 5,301,583</u>

At June 30, 2013, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user fees.....	\$ 1,329,644	-	\$ 1,329,644
Water enterprise tax liens.....	17,608	-	17,608
Sewer user fees.....	1,978,100	-	1,978,100
Sewer enterprise tax liens.....	27,955	-	27,955
Sewer intergovernmental.....	61,132	-	61,132
Light user fees.....	1,760,812	-	1,760,812
Total.....	<u>\$ 5,175,251</u>	<u>\$ -</u>	<u>\$ 5,175,251</u>

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

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>				
Real estate, personal property and tax deferrals....	\$ 2,580,098	\$ 8,735	\$ -	\$ 2,588,833
Tax liens.....	1,093,884	-	-	1,093,884
Motor vehicle and other excise.....	225,747	-	-	225,747
Intergovernmental.....	834,000	470,418	698,293	2,002,711
Departmental.....	414,602	-	12,025	426,627
Total.....	<u>\$ 5,148,331</u>	<u>\$ 479,153</u>	<u>\$ 710,318</u>	<u>\$ 6,337,802</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 16,194,930	\$ -	\$ -	\$ 16,194,930
Construction in progress.....	<u>255,690</u>	<u>315,670</u>	<u>(255,690)</u>	<u>315,670</u>
Total capital assets not being depreciated.....	<u>16,450,620</u>	<u>315,670</u>	<u>(255,690)</u>	<u>16,510,600</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	3,613,685	216,109	-	3,829,794
Buildings.....	129,377,097	1,563,512	-	130,940,609
Machinery and equipment.....	12,331,756	811,653	-	13,143,409
Vehicles.....	4,390,927	357,975	-	4,748,902
Infrastructure.....	<u>32,098,034</u>	<u>2,146,844</u>	<u>-</u>	<u>34,244,878</u>
Total capital assets being depreciated.....	<u>181,811,499</u>	<u>5,096,093</u>	<u>-</u>	<u>186,907,592</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,249,317)	(105,179)	-	(2,354,496)
Buildings.....	(39,244,866)	(1,577,646)	-	(40,822,512)
Machinery and equipment.....	(8,890,297)	(1,590,533)	-	(10,480,830)
Vehicles.....	(3,360,464)	(350,186)	-	(3,710,650)
Infrastructure.....	<u>(8,585,410)</u>	<u>(627,987)</u>	<u>-</u>	<u>(9,213,397)</u>
Total accumulated depreciation.....	<u>(62,330,354)</u>	<u>(4,251,531)</u>	<u>-</u>	<u>(66,581,885)</u>
Total capital assets being depreciated, net.....	<u>119,481,145</u>	<u>844,562</u>	<u>-</u>	<u>120,325,707</u>
Total governmental activities capital assets, net.....	<u>\$ 135,931,765</u>	<u>\$ 1,160,232</u>	<u>\$ (255,690)</u>	<u>\$ 136,836,307</u>

Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,138	\$ -	\$ -	\$ 3,138
Construction in progress.....	-	825,510	-	825,510
Total capital assets not being depreciated.....	3,138	825,510	-	828,648
<u>Capital assets being depreciated:</u>				
Land improvements.....	7,822	-	-	7,822
Buildings.....	519,034	-	-	519,034
Machinery and equipment.....	551,499	-	-	551,499
Vehicles.....	896,812	-	-	896,812
Infrastructure.....	28,334,255	720,291	-	29,054,546
Total capital assets being depreciated.....	30,309,422	720,291	-	31,029,713
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,822)	-	-	(7,822)
Buildings.....	(146,275)	(15,922)	-	(162,197)
Machinery and equipment.....	(383,678)	(77,190)	-	(460,868)
Vehicles.....	(612,820)	(78,344)	-	(691,164)
Infrastructure.....	(18,442,226)	(196,006)	-	(18,638,232)
Total accumulated depreciation.....	(19,592,821)	(367,462)	-	(19,960,283)
Total capital assets being depreciated, net.....	10,716,601	352,829	-	11,069,430
Total business-type activities capital assets, net.....	\$ 10,719,739	\$ 1,178,339	\$ -	\$ 11,898,078

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 950,909	\$ 182,595	\$ -	\$ 1,133,504
Vehicles.....	524,185	-	-	524,185
Infrastructure.....	21,666,930	891,326	-	22,558,256
Total capital assets being depreciated.....	23,142,024	1,073,921	-	24,215,945
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(763,739)	(177,563)	-	(941,302)
Infrastructure.....	(2,663,832)	(365,771)	-	(3,029,603)
Total accumulated depreciation.....	(3,427,571)	(543,334)	-	(3,970,905)
Total capital assets being depreciated, net.....	19,714,453	530,587	-	20,245,040
Total business-type activities capital assets, net.....	\$ 19,714,453	\$ 530,587	\$ -	\$ 20,245,040
	Beginning Balance	Increases	Decreases	Ending Balance
Light:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,349	\$ -	\$ -	\$ 9,349
Construction in progress.....	1,742,685	5,608,536	-	7,351,221
Total capital assets not being depreciated.....	1,752,034	5,608,536	-	7,360,570
<u>Capital assets being depreciated:</u>				
Distribution Plant.....	16,990,121	532,283	(493,861)	17,028,543
General Plant.....	7,982,383	265,616	-	8,247,999
Total capital assets being depreciated.....	24,972,504	797,899	(493,861)	25,276,542
<u>Less accumulated depreciation for:</u>				
Distribution Plant.....	(13,164,694)	(849,506)	493,861	(13,520,339)
General Plant.....	(4,350,415)	(398,418)	-	(4,748,833)
Total accumulated depreciation.....	(17,515,109)	(1,247,924)	493,861	(18,269,172)
Total capital assets being depreciated, net.....	7,457,395	(450,025)	-	7,007,370
Total business-type activities capital assets, net.....	\$ 9,209,429	\$ 5,158,511	\$ -	\$ 14,367,940

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

Governmental Activities:	
General government.....	\$ 818,583
Public safety.....	740,149
Education.....	1,727,139
Public works.....	830,390
Human services.....	24,535
Culture and recreation.....	<u>110,735</u>
Total depreciation expense - governmental activities.....	<u>\$ 4,251,531</u>
Business-Type Activities:	
Water.....	\$ 367,462
Sewer.....	543,334
Light.....	<u>1,247,924</u>
Total depreciation expense - business-type activities.....	<u>\$ 2,158,720</u>

NOTE 5 – CAPITAL LEASES

During fiscal year 2007, the Town entered into a lease agreement to finance the acquisition of energy conservation equipment. During fiscal year 2012, the Town entered into a lease agreement to finance the acquisition of an ambulance and other public safety related equipment. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The following identifies the asset value acquired through the capital lease agreement:

	<u>Governmental</u>
	<u>Activities</u>
<u>Asset:</u>	
Machinery and equipment.....	\$ 2,141,096
Less: accumulated depreciation.....	<u>(1,156,462)</u>
Total.....	<u>\$ 984,634</u>

The future minimum lease obligation and the net present value of the minimum lease payment at June 30, 2013, follows:

<u>Fiscal Years</u>	
<u>Ending June 30</u>	<u>Governmental</u>
	<u>Activities</u>
2014.....	\$ 317,997
2015.....	317,997
2016.....	317,997
2017.....	<u>99,069</u>
Total minimum lease payments.....	1,053,060
Less: amounts representing interest.....	<u>(64,129)</u>
Present value of minimum lease payments.....	<u>\$ 988,931</u>

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:			Total	
	General Fund	Non-Major Governmental Funds	Light Enterprise Fund		
General Fund.....	\$ -	\$ 3,406,107	\$ 163,809	\$ 3,569,916	(1)
Nonmajor Governmental Funds....	160,000	160,004	-	320,004	(2)
Water Enterprise Fund.....	157,873	-	-	157,873	(3)
Sewer Enterprise Fund.....	125,000	-	-	125,000	(3)
Light Enterprise Fund.....	719,000	-	-	719,000	(4)
Total.....	\$ <u>1,161,873</u>	\$ <u>3,566,111</u>	\$ <u>163,809</u>	\$ <u>4,891,793</u>	

- (1) Transfers represent amounts voted to fund various capital projects and the transfer of a premium on the issuance of Light Department BAN's used to offset interest costs.
- (2) Transfers represent amounts voted from receipts reserved for appropriation to fund the operating budget and amounts between various non-major funds.
- (3) Transfers represent the reimbursement of indirect costs from the Water and Sewer enterprise funds.
- (4) Transfers represent amounts related to a payment in lieu of taxes and funds transferred to cover an ongoing information technology project.

The variance in transfers in and out of the general fund and the light enterprise fund represents transfers made by and between the two funds that occurred subsequent to the light departments calendar year end of December 31, and prior to the Town's fiscal year end of June 30.

NOTE 7 – SHORT-TERM FINANCING

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

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

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

Short term debt outstanding for the Light Department as of June 30, 2013 was as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2012	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2013
BAN	Bond Anticipation Note.....	1.50%	05/25/13	\$ -	\$ 14,000,000	\$ 14,000,000	\$ -
BAN	Bond Anticipation Note.....	1.25%	05/25/14	-	14,000,000	-	14,000,000
Total Light Department.....				\$ -	\$ 28,000,000	\$ 14,000,000	\$ 14,000,000

NOTE 8 - LONG-TERM DEBT

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

In prior fiscal years, certain general obligation bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2013, \$5,000,000 of governmental fund bonds outstanding from the advance refunding transaction is considered defeased.

Details related to the outstanding indebtedness at June 30, 2013, and the debt service requirements follow.

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Septic Loan 97-2002.....	2020	\$ 60,160	0.00	\$ 25,244	\$ -	\$ 3,191	\$ 22,053
Town Hall Renovation.....	2023	11,950,000	3.00-4.75	600,000	-	600,000	-
Outdoor Athletic Facility.....	2013	2,200,000	3.00-3.75	220,000	-	220,000	-
Fire Station Construction.....	2024	8,500,000	3.00-5.00	850,000	-	425,000	425,000
Fire Land Acquisition.....	2024	1,500,000	3.00-5.00	150,000	-	75,000	75,000
Communications Tower.....	2014	126,000	3.00-5.00	20,000	-	10,000	10,000
Fire Station Construction.....	2026	2,030,000	3.00-5.00	1,400,000	-	100,000	1,300,000
Land Acquisition.....	2025	780,000	4.00-6.00	520,000	-	40,000	480,000
Senior Center.....	2026	3,310,000	5.00	2,725,000	-	195,000	2,530,000
High School HVAC.....	2014	600,000	3.50	240,000	-	120,000	120,000
FY10 Debt Refunding.....	2015	5,455,000	2.70	3,275,000	-	1,075,000	2,200,000
Wellington Elementary School....	2035	26,700,000	2.00-3.00	25,310,000	-	730,000	24,580,000
FY12 Debt Refunding.....	2024	9,956,000	3.00-5.00	9,956,000	-	-	9,956,000
Total.....				\$ 45,291,244	\$ -	\$ 3,593,191	\$ 41,698,053

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

Fiscal Year	Principal	Interest	Total
2014.....	\$ 3,364,191	\$ 1,945,977	\$ 5,310,168
2015.....	3,203,191	1,563,411	4,766,602
2016.....	2,113,134	1,401,417	3,514,551
2017.....	2,138,134	1,306,704	3,444,838
2018.....	2,163,134	1,213,074	3,376,208
2019.....	2,198,134	1,129,630	3,327,764
2020.....	2,223,135	1,047,707	3,270,842
2021.....	2,240,000	955,439	3,195,439
2022.....	2,285,000	866,186	3,151,186
2023.....	2,325,000	775,326	3,100,326
2024.....	1,840,000	685,701	2,525,701
2025.....	1,435,000	618,851	2,053,851
2026.....	1,435,000	561,275	1,996,275
2027.....	1,190,000	509,400	1,699,400
2028.....	1,240,000	461,800	1,701,800
2029.....	1,290,000	412,200	1,702,200
2030.....	1,345,000	360,600	1,705,600
2031.....	1,400,000	306,800	1,706,800
2032.....	1,465,000	250,800	1,715,800
2033.....	1,530,000	192,200	1,722,200
2034.....	1,600,000	131,000	1,731,000
2035.....	1,675,000	67,000	1,742,000
Total.....	\$ 41,698,053	\$ 16,762,498	\$ 58,460,551

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
MWRA Water Main.....	2014	\$ 650,000	0.00	\$ 130,000	\$ -	\$ 65,000	\$ 65,000
MWRA Water.....	2018	714,000	0.00	428,400	-	71,400	357,000
MWRA Water.....	2019	872,000	0.00	610,400	-	87,200	523,200
MWRA Water.....	2021	1,977,570	0.00	1,680,935	-	197,755	1,483,180
MWRA Water.....	2022	1,000,000	0.00	1,000,000	-	100,000	900,000
MWRA Water.....	2023	500,000	0.00	-	500,000	-	500,000
Total Water.....				3,849,735	500,000	521,355	3,828,380
MWRA Sewer.....	2014	3,754,230	0.00	150,172	-	75,086	75,086
Sewer & Surface Drains.....	2027	2,479,000	4.10-5.00	1,840,000	-	125,000	1,715,000
MWPAT Sewer.....	2031	7,226,667	0.02	6,929,839	-	302,825	6,627,014
MWPAT Sewer.....	2017	559,406	0.00	559,406	-	111,881	447,525
MWPAT Sewer.....	2033	1,579,600	2.00	1,579,600	-	-	1,579,600
Total Sewer.....				11,059,017	-	614,792	10,444,225
Total Enterprise.....				\$ 14,908,752	\$ 500,000	\$ 1,136,147	\$ 14,272,605

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

Water Enterprise

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 571,356	\$ -	\$ 571,356
2015.....	506,358	-	506,358
2016.....	506,356	-	506,356
2017.....	506,358	-	506,358
2018.....	506,356	-	506,356
2019.....	434,958	-	434,958
2020.....	347,759	-	347,759
2021.....	248,879	-	248,879
2022.....	150,000	-	150,000
2023.....	50,000	-	50,000
Total.....	\$ <u>3,828,380</u>	\$ <u>-</u>	\$ <u>3,828,380</u>

Sewer Enterprise

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 684,805	\$ 234,292	\$ 919,097
2015.....	617,349	221,603	838,952
2016.....	625,136	208,760	833,896
2017.....	633,083	194,665	827,748
2018.....	529,309	180,409	709,718
2019.....	537,583	167,083	704,666
2020.....	546,028	153,624	699,652
2021.....	554,645	139,961	694,606
2022.....	563,438	126,029	689,467
2023.....	572,411	111,859	684,270
2024.....	581,568	97,505	679,073
2025.....	585,914	82,968	668,882
2026.....	595,450	68,454	663,904
2027.....	585,182	53,748	638,930
2028.....	495,112	39,695	534,807
2029.....	505,248	29,692	534,940
2030.....	515,589	19,484	535,073
2031.....	526,144	9,066	535,210
2032.....	94,093	2,863	96,956
2033.....	96,138	961	97,099
Total.....	\$ <u>10,444,225</u>	\$ <u>2,142,721</u>	\$ <u>12,586,946</u>

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2013, approximately \$383,000 of such assistance was received and approximately \$937,000 will be received in future fiscal years. Of this amount, approximately \$103,000 represents reimbursement of long-term interest costs, and approximately \$834,000 represents reimbursement of approved construction costs. Accordingly, an \$834,000 intergovernmental receivable and

corresponding deferred revenue have been reported in governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

At June 30, 2013, the Town had the following authorized and unissued debt:

Purpose	Amount
Wellington school.....	\$ 2,868,181
School vehicle.....	30,000
Fire station.....	115,398
Fire truck.....	1,390,000
Water.....	5,627,000
Sewer	2,300,000
Municipal light plant construction.....	<u>39,700,000</u>
 Total.....	 \$ <u>52,030,579</u>

Changes in Long-Term Liabilities

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

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 45,291,244	\$ -	\$ (3,593,191)	\$ 41,698,053	\$ 3,364,191
Other Postemployment Benefits.....	40,246,870	17,300,183	(4,171,727)	53,375,326	-
Landfill Closure.....	3,807,500	-	(763,300)	3,044,200	824,000
Compensated Absences.....	1,253,489	213,912	(62,674)	1,404,727	70,236
Unamortized Premium on Bonds ...	2,178,686	-	(129,647)	2,049,039	129,647
Capital Leases.....	<u>1,267,940</u>	<u>-</u>	<u>(279,009)</u>	<u>988,931</u>	<u>287,900</u>
 Total governmental activity long-term liabilities.....	 <u>\$ 94,045,729</u>	 <u>\$ 17,514,095</u>	 <u>\$ (8,999,548)</u>	 <u>\$ 102,560,276</u>	 <u>\$ 4,675,974</u>
 Business-Type Activities:					
Long-Term Bonds.....	\$ 14,908,752	\$ 500,000	\$ (1,136,147)	\$ 14,272,605	\$ 1,256,161
Other Postemployment Benefits.....	3,728,959	937,326	(410,101)	4,256,184	-
Compensated Absences.....	<u>311,917</u>	<u>-</u>	<u>(18,859)</u>	<u>293,058</u>	<u>14,651</u>
 Total business type activity long-term liabilities.....	 <u>\$ 18,949,628</u>	 <u>\$ 1,437,326</u>	 <u>\$ (1,565,107)</u>	 <u>\$ 18,821,847</u>	 <u>\$ 1,270,812</u>

The long-term liabilities will be liquidated in the future by the general fund and enterprise funds.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balance according to constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year end, the balance of the General Stabilization Fund is \$6,915 and is reported as unassigned fund balance within the general fund; the balance of the Ash Landfill Stabilization Fund is \$3,376,536 and the balance of the SPED Stabilization Fund is \$250,575, both of these are reported as committed fund balance within the general fund.

In addition to the Nonspendable fund balance, GASB 54 has provided a hierarchy of Spendable fund balances, based on a hierarchy of spending constraints.

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

The Town has classified its fund balances with the following hierarchy:

	GOVERNMENTAL FUNDS				
	General	Wellington School Construction	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Permanent fund principal..... \$	- \$	- \$	- \$	2,239,691 \$	2,239,691
Restricted for:					
Community Preservation Fund.....	-	-	2,005,105	-	2,005,105
Nonmajor governmental funds.....	-	-	-	10,590,435	10,590,435
Committed to:					
Ash Landfill Stabilization Fund.....	3,376,536	-	-	-	3,376,536
SPED Stabilization Fund.....	250,575	-	-	-	250,575
Assigned to:					
General government.....	323,257	-	-	-	323,257
Public safety.....	40,306	-	-	-	40,306
Education.....	123,909	-	-	-	123,909
Public works.....	368,750	-	-	-	368,750
Human services.....	7,937	-	-	-	7,937
Culture and recreation.....	4,279	-	-	-	4,279
Free cash used for fiscal 2014 appropriations.....	2,000,000	-	-	-	2,000,000
Release of overlay for fiscal 2014 budget.....	235,000	-	-	-	235,000
Free cash used to offset 2014 property tax debt exclusion.....	46,234	-	-	-	46,234
Free cash used to offset future property tax debt exclusion principal and interest.....	280,288	-	-	-	280,288
Free cash used for the fiscal 2014 OPEB contribution.....	242,342	-	-	-	242,342
Unassigned to:					
Kendall School Fire.....	3,042,955	-	-	-	3,042,955
Other unassigned.....	7,336,690	(200,756)	-	-	7,135,934
TOTAL FUND BALANCES..... \$	17,679,058 \$	(200,756) \$	2,005,105 \$	12,830,126 \$	32,313,533

NOTE 10 – LANDFILL CLOSURE

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town operated a solid waste landfill that ceased operations in 1973. The Town has reflected \$3.0 million as the estimate of the landfill closure liability at June 30, 2013. This amount is based on estimates of what it would cost to perform all future closure and post closure care in fiscal year 2013.

Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Town meeting has voted a special purpose stabilization fund for this liability, which had a balance of \$3.4 million at fiscal year end.

NOTE 11 – RISK FINANCING

The Town is self-insured for its health insurance activities. The health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

Health Insurance

The Town estimates Incurred But Not Reported (IBNR) claims based on an approximate two month claims paid average. The Town purchases individual stop loss insurance for claims in excess of the \$100,000 coverage provided by the Town. At June 30, 2013, the amount of the liability for health insurance claims totaled \$1,800,000.

Changes in the reported liability since July 1, 2011, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2013.....	\$ 1,600,000	\$ 13,765,146	\$ (13,565,146)	\$ 1,800,000
Fiscal Year 2012.....	1,900,000	11,495,228	(11,795,228)	1,600,000

Insurance

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 Town carries commercial insurance.

Workers' Compensation

The Town participates in a premium based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's liability related to incurred but not reported claims for police officers and/or firefighters workers compensation is not material at June 30, 2013, and is therefore not reported.

General Liability

The Town is self-insured for its general liability insurance. MGL Chapter 258 limits the liability to a maximum of \$100,000 per claim in all matters except actions relating to federal/civil rights, eminent domain, and breach of contract.

NOTE 12 - PENSION PLAN

Plan Description - The Town contributes to the Belmont Contributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Belmont Contributory Retirement Board. All employees working twenty five or more hours a week are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$8,959,461 for the fiscal year ended June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living

adjustments granted after 1997 must be approved by the Belmont Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth’s PERAC, as well as, an audited financial report. Both of these reports may be obtained by contacting the System located at Town Hall, 455 Concord Ave., Belmont, Massachusetts 02478.

At December 31, 2012, the System’s membership consists of the following:

	<u>2012</u>
Active members.....	458
Inactive members.....	139
Disabled members.....	41
Retirees and beneficiaries currently receiving benefits.....	<u>310</u>
Total.....	<u><u>948</u></u>

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute approximately 98%, respectively, of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

Annual Pension Cost - The Town’s contributions to the System for the fiscal years ended June 30, 2013, 2012, and 2011 were approximately \$6,466,000, \$6,062,000, and \$5,525,000, respectively, which equaled its required contribution for each fiscal year. The required contribution was determined as part of the January 1, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.75% investment rate of return and projected salary increases of 3.75% - 6% per year for non-public safety employees and 4.25% - 7% per year for fire and police employees; and annual cost of living adjustments of 3%. The actuarial value of the System’s assets was determined using the fair value of the assets. The System’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2012, was 15 years.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2012	\$ 67,144,549	\$ 134,522,071	\$ 67,377,522	49.9%	\$ 183,857,670	36.6%
1/1/2010	63,499,612	123,684,550	60,184,938	51.3%	180,889,933	33.3%
1/1/2008	61,969,418	112,124,213	50,154,795	55.3%	181,335,100	27.7%
1/1/2006	53,736,253	101,659,952	47,923,699	52.9%	164,549,300	29.1%
1/1/2004	53,364,538	94,947,822	41,583,284	56.2%	146,655,300	28.4%
1/1/2002	52,838,407	87,176,074	34,337,667	60.6%	131,319,000	26.1%

Funding progress is reported based on the biennial actuarial valuation performed by the System, and is being accumulated on a biennial basis. The Town is responsible for approximately 98.65% of the unfunded liability.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Belmont administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s group health and life insurance plans, which cover both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. Retired plan members and beneficiaries currently receiving benefits are required to contribute 20% of the costs of benefits for the HMO and 50% of cost of benefits for the PPO plans if they are not participating in the Medicare Plan. Medicare eligible retirees and their spouses contribute 50% of the cost of the Medicare Enhance Supplement plan and the First Seniority. For fiscal year 2013, the Town contributed \$4.6 million to the plan.

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$	19,375,232
Interest on net OPEB obligation.....		2,174,660
Adjustment to annual required contribution.....		<u>(3,312,383)</u>
Annual OPEB cost (expense).....		18,237,509
Contributions made.....		<u>(4,581,828)</u>
Increase in net OPEB obligation.....		13,655,681
Net OPEB obligation - beginning of year.....		<u>43,975,829</u>
Net OPEB obligation - end of year.....	\$	<u><u>57,631,510</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 18,237,509	25%	\$ 57,631,510
6/30/2012	18,525,794	43%	43,975,829
6/30/2011	17,856,626	41%	33,355,819

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$196.0 million, of which was the Town has funded approximately \$1.3 million.

The covered payroll (annual payroll of active employees covered by the plan) was \$44.0 million, and the ratio of the UAAL to the covered payroll was 442%.

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

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

In the July 1, 2012, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10% initially, graded to 5% over 5 years. The UAAL is being amortized using level dollar method over the maximum acceptable period of 30 years. The remaining amortization period at June 30, 2013 is 30 years.

NOTE 14 - COMMITMENTS

The Town has entered into, or is planning to enter into contracts totaling approximately \$52.0 million related to water and sewer infrastructure upgrades, for education and public safety vehicles, construction on a fire station, construction of a new municipal light plant, and for construction of the new Wellington School.

NOTE 15 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2013, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

NOTE 16 – FUTURE IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2013, the following GASB pronouncements were implemented:

- GASB Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #61, *The Financial Reporting Entity: Omnibus*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Financial statement changes include net assets changing to net position and invested in capital assets, net of related debt changing to net investment in capital assets. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #66, *Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 62*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014.

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

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		
	Amounts Carried forward From Prior Year	Original Budget	Final Budget
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 71,204,782	\$ 71,204,889
Tax liens.....	-	-	-
Motor vehicle and other excise taxes.....	-	2,795,000	2,795,000
Charges for services.....	-	1,725,670	1,725,670
Penalties and interest on taxes.....	-	180,000	180,000
Licenses and permits.....	-	715,000	715,000
Fines and forfeitures.....	-	148,435	148,435
Intergovernmental.....	-	8,092,628	8,092,628
Investment income.....	-	115,000	115,000
TOTAL REVENUES.....	-	84,976,515	84,976,622
EXPENDITURES:			
Current:			
General government.....	113,663	4,118,459	3,755,514
Public safety.....	93,105	11,902,675	12,042,664
Education.....	234,080	44,242,571	44,242,571
Public works.....	289,779	8,756,757	9,308,998
Human services.....	3,115	805,901	818,623
Culture and recreation.....	16,505	2,674,418	2,702,265
Pension benefits.....	-	5,282,835	5,282,835
Employee benefits.....	-	2,006,993	1,787,141
State and county charges.....	-	1,643,598	1,643,595
Debt service:			
Principal.....	-	3,593,191	3,593,191
Interest.....	-	1,704,237	1,704,237
TOTAL EXPENDITURES.....	750,247	86,731,635	86,881,634
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(750,247)	(1,755,120)	(1,905,012)
OTHER FINANCING SOURCES (USES):			
Transfers in.....	-	1,161,873	1,161,873
Transfers out.....	-	(2,582,000)	(2,745,916)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(1,420,127)	(1,584,043)
NET CHANGE IN FUND BALANCE.....	(750,247)	(3,175,247)	(3,489,055)
BUDGETARY FUND BALANCE, Beginning of year.....	-	10,352,305	10,352,305
BUDGETARY FUND BALANCE, End of year.....	\$ (750,247)	\$ 7,177,058	\$ 6,863,250

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 71,309,897	\$ -	\$ 105,008
252,308	-	252,308
3,024,663	-	229,663
2,070,994	-	345,324
378,917	-	198,917
1,032,556	-	317,556
228,339	-	79,904
8,410,483	-	317,855
144,780	-	29,780
<u>86,852,937</u>	<u>-</u>	<u>1,876,315</u>
3,305,469	323,257	126,788
11,704,673	40,306	297,685
44,099,276	123,909	19,386
8,214,116	368,750	726,132
779,276	7,937	31,410
2,564,609	4,279	133,377
5,281,527	-	1,308
1,452,565	-	334,576
1,642,046	-	1,549
3,593,191	-	-
1,651,735	-	52,502
<u>84,288,483</u>	<u>868,438</u>	<u>1,724,713</u>
<u>2,564,454</u>	<u>(868,438)</u>	<u>3,601,028</u>
1,161,873	-	-
(2,745,916)	-	-
<u>(1,584,043)</u>	<u>-</u>	<u>-</u>
980,411	(868,438)	3,601,028
<u>10,352,305</u>	<u>-</u>	<u>-</u>
\$ <u>11,332,716</u>	\$ <u>(868,438)</u>	\$ <u>3,601,028</u>

Other Postemployment Benefit Plan Schedules

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2012	\$ 1,316,700	\$ 195,943,349	\$ 194,626,649	0.67%	\$ 44,045,000	441.9%
7/1/2010	1,009,894	184,907,102	183,897,208	0.55%	39,766,311	462.4%
7/1/2008	501,409	166,550,323	166,048,914	0.30%	33,252,323	499.4%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2013	\$ 19,375,232	\$ 4,581,828	24%
2012	18,970,005	7,905,784	42%
2011	18,153,513	7,387,738	41%
2010	16,797,954	7,041,276	42%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2013

Actuarial Methods:

Valuation date	July 1, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, Open
Remaining amortization period	30 Years as of June 30, 2013
Asset valuation method	Market

Actuarial Assumptions:

Investment rate of return	4.5%
Medical/drug cost trend rate	10% graded to 5% over 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents	493
Current active members	<u>670</u>
Total	<u><u>1,163</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Board of Selectmen (the "Board"). The Board presents an annual budget to the representative Town meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The representative town meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between voted functions subsequent to the approval of the annual budget, requires a vote at a special Town meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2013 approved budget authorized approximately \$89.3 million in appropriations and other amounts to be raised.

The Town Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2013, is presented below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 980,411
<u>Perspective difference:</u>	
Activity of the Stabilization Funds recorded in the General Fund for GAAP.....	(812,834)
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	(237,000)
Net change in recording 60-day receipts accrual.....	102,115
Recognition of revenue for on-behalf payments.....	(8,959,461)
Recognition of expenditures for on-behalf payments.....	<u>8,959,461</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 32,692</u>

NOTE B – OTHER POSTEMPLOYMENT BENEFITS

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

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis, but has established an Other Postemployment Benefit Trust fund to accumulate assets to help mitigate the costs of these benefits. As of the most recent actuarial report dated July 1, 2012, the Town had contributed approximately \$1.3 million to the fund. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is .67%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

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

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