

TOWN OF MEDFIELD, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF MEDFIELD, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Medfield, 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 Medfield, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Medfield, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Medfield, Massachusetts, as of June 30, 2013, 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 31, 2014, on our consideration of the Town of Medfield, 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 Medfield, Massachusetts' internal control over financial reporting and compliance.



January 31, 2014

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Medfield (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented in this report in conjunction with the Town's financial statements. All amounts, unless otherwise noted, are presented in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$106.3 million (net position).
- Governmental net position decreased by \$2.5 million.
- The Town's long-term debt was \$32.5 million at year end, a net decrease of \$3.3 million during the current fiscal year due to the proceeds of debt of \$1.8 million (\$400,000 in the sewer fund and \$1.4 million in the water fund) offset by current year total Town principal payments of \$4.1 million. In addition, in order to take advantage of favorable interest rates, the Town issued \$11,420,000 of General Obligation Refunding Bonds on July 26, 2012. This refunding will save the Town \$1.8 million in future debt service payments over the next 10 years.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$26.7 million, a decrease of \$1.6 million in comparison with the prior year.
- The Town's other postemployment (OPEB) benefit liability increased by \$2 million, totaling \$11.8 million as of June 30, 2013.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Medfield's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the basic financial statements. This report 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 finances in a manner similar to private sector business.

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

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

Both of the government-wide financial statements distinguish functions that are primarily supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, and interest.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

In accordance with accounting standards, the Town reports fund balance components as nonspendable, restricted, committed, assigned and unassigned. Additionally, the Town's stabilization funds are reported within the general fund.

The Town of Medfield adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The budgetary comparison statement is presented as required supplementary information after the notes to the basic financial statements.

Proprietary funds. The Town of Medfield maintains two types of 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 sewer and water operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health insurance activities and workers compensation benefits. Because these services primarily benefit governmental rather than business-type activities, they have been included within *governmental activities* in the government-wide financial statements. The Town closed its internal service fund in fiscal year 2013.

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. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains two different fiduciary funds. The private purpose trust fund is used to account for resources held in trust which principal and investment income exclusively benefit individuals, private organizations, or other governments. The agency fund is used to account for assets held in a purely custodial capacity.

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

As noted earlier net position may serve, over time, as a useful indicator of a government's financial position. The assets of Town exceeded liabilities by \$106.3 million at the close of fiscal year 2013. Key components of the Town's governmental and business-type financial position follow.

A significant portion of the Town's net position, \$85.8 million, reflects its investment in capital assets (i.e. land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is 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 pay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$15 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totals \$5.6 million and may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities. For the Town's governmental activities, assets exceeded liabilities by \$97.6 million at the close of fiscal 2013.

| Governmental Activities: | <u>Fiscal 2013</u> | <u>Fiscal 2012</u> |
|--|-----------------------------|------------------------------|
| Assets: | | |
| Current assets..... | \$ 31,204,156 | \$ 32,542,936 |
| Noncurrent assets (excluding capital)..... | 3,536,677 | 4,413,355 |
| Capital assets..... | 106,738,984 | 108,696,597 |
| Total assets..... | <u>141,479,817</u> | <u>145,652,888</u> |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 3,416,362 | 2,501,185 |
| Noncurrent liabilities (excluding debt)..... | 12,295,635 | 10,773,717 |
| Current debt..... | 3,735,899 | 3,626,414 |
| Noncurrent debt..... | 24,457,912 | 28,416,748 |
| Total liabilities..... | <u>43,905,808</u> | <u>45,318,064</u> |
| Net Position: | | |
| Net investment in capital assets..... | 79,179,286 | 77,287,548 |
| Restricted..... | 14,956,599 | 14,936,335 |
| Unrestricted..... | 3,438,124 | 8,113,190 |
| Total net position..... | <u>\$ 97,574,009</u> | <u>\$ 100,337,073</u> |

The governmental activities net position decreased by \$2.7 million during the current fiscal year. The decrease is primarily due to a \$2.0 million increase in the liability relating to GASB Statement #45, which requires the recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. Also affecting the decrease was the planned use of reserves to fund general fund operations and the timing of grant revenues/expenditures reported in the nonmajor governmental funds.

| Governmental Activities: | Fiscal 2013 | Fiscal 2012 |
|--|-----------------------|-----------------------|
| Program revenues: | | |
| Charges for services..... | \$ 3,735,275 | \$ 3,782,486 |
| Operating grants and contributions..... | 12,338,786 | 11,917,610 |
| Capital grants and contributions..... | 517,765 | 750,488 |
| General Revenues: | | |
| Real estate and personal property taxes..... | 35,824,349 | 34,998,538 |
| Motor vehicle and other excise taxes..... | 1,863,855 | 1,775,693 |
| Penalties and Interest..... | 109,428 | 108,982 |
| Nonrestricted grants..... | 1,342,112 | 1,299,252 |
| Unrestricted investment income (loss)..... | (15,420) | 364,628 |
| Other revenues..... | 270,691 | 228,317 |
| Total revenues..... | \$ 55,986,841 | \$ 55,225,994 |
| Expenses: | | |
| General government..... | \$ 3,119,583 | \$ 2,997,986 |
| Public safety..... | 5,512,744 | 5,334,401 |
| Education..... | 42,566,264 | 41,618,524 |
| Public works..... | 4,767,656 | 4,213,739 |
| Human services..... | 719,200 | 663,912 |
| Culture and recreation..... | 1,869,085 | 1,705,455 |
| Interest..... | 769,169 | 1,493,693 |
| Total expenses..... | 59,323,701 | 58,027,711 |
| Excess (deficiency) before transfers..... | (3,336,860) | (2,801,717) |
| Transfers..... | 573,796 | 367,282 |
| Change in net position..... | \$ (2,763,064) | \$ (2,434,435) |

Governmental expenses totaled \$59.3 million of which \$16.6 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$39.4 million, primarily coming from property taxes, excise taxes, and grants not restricted to specific programs.

Charges for services represent about 23% of governmental program revenues. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered are set by Town Meeting and Town boards.

Operating and capital grants and contributions account for 74% of the governmental program revenues. Most of these resources apply to education operations. These resources offset costs of the school department over and above the general fund operating budget.

Capital grants and contributions account for the remaining 3% of the governmental program revenues and mostly related to state grant revenues and one time disaster recovery grant revenues.

Property taxes are the most significant revenue source for the Town's governmental activities. They comprise 64% of all revenues. Other taxes comprise 3% of the governmental activity's revenues.

Education is the largest governmental activity of the Town. A total of \$42.6 million was expended for education, of which \$13.7 million was funded by program revenues. The remaining \$28.8 million was funded by taxes and other revenue. Public safety is the second largest activity of the Town as \$5.5 million was expended, of which \$828,000 was funded by program sources, and the balance was funded by taxes and other revenues.

Business-type Activities. Business-type activities increased the Town's net position by \$288,000. Key elements of this increase are as follows:

| Business-type Activities: | Fiscal 2013 | Fiscal 2012 |
|--|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Assets: | | |
| Current assets..... | \$ 2,961,891 | \$ 2,046,494 |
| Capital assets..... | 11,106,762 | 10,207,627 |
| Total assets..... | 14,068,653 | 12,254,121 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 90,125 | 15,099 |
| Noncurrent liabilities (excluding debt)..... | 224,949 | 52,200 |
| Current debt..... | 502,421 | 343,515 |
| Noncurrent debt..... | 4,491,133 | 3,193,554 |
| Total liabilities..... | 5,308,628 | 3,604,368 |
| Net Position: | | |
| Net investment in capital assets..... | 6,609,417 | 6,670,558 |
| Unrestricted..... | 2,150,608 | 1,979,195 |
| Total net position..... | \$ 8,760,025 | \$ 8,649,753 |
| Program revenues: | | |
| Charges for services..... | \$ 3,158,378 | \$ 2,748,587 |
| Capital grants and contributions..... | 30,327 | - |
| General revenues: | | |
| Unrestricted investment income..... | - | 58,988 |
| Total revenues..... | 3,188,705 | 2,807,575 |
| Expenses..... | | |
| Sewer..... | 1,289,945 | 1,049,129 |
| Water..... | 1,036,748 | 957,905 |
| Total expenses..... | 2,326,693 | 2,007,034 |
| Excess before transfers..... | 862,012 | 800,541 |
| Transfers..... | (573,796) | (467,282) |
| Change in net position..... | \$ 288,216 | \$ 333,259 |

Business-type net position of \$6.6 million (75%) represents investments in capital assets net of related debt. The remaining \$2.2 million (25%) is available to be used for the ongoing operation of the Town's sewer and water enterprises.

The \$288,000 increase in net position primarily relates to the water enterprise fund which accounted for \$268,000 of the increase. The increase was mainly due to a 10% increase in rates in fiscal year 2013.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, 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.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$26.7 million. Of this amount \$23 million is for the general fund and \$3.5 million is comprised of nonmajor funds. Cumulatively there was a decrease of \$1.6 million in fund balances from the prior year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5.2 million while total fund balance was \$23 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 9.6% of the total general fund budgetary expenditures, while total fund balance represents 42.8% of that same amount.

The general fund balance decreased by \$735,000 during the current fiscal year. This was mainly due to an increase of \$301,000 in snow and ice costs and the planned use of resources to balance the budget.

The nonmajor funds decreased by \$876,000 during the current fiscal year. This was due to \$700,000 in expenditures related to the DPW garage project that had no offsetting revenue source in fiscal year 2013. The Town will be issuing debt in fiscal year 2014 for this project.

General Fund Budgetary Highlights

The initial budget and the encumbrances and continuing appropriations (original budget) totaled \$51.1 million. Changes during the year consisted largely of allocations between and among departments. The net increase to the final budget totaled \$214,000.

General fund revenues came in approximately \$728,000 more than budgeted while general fund expenditures came in \$492,000 less than budgeted. Mostly all departments came in under budget. The exception was snow and ice costs, debt service interest, property and liability insurance and state and county charges which in total exceeded appropriations by \$118,000. These deficits will be raised on the FY14 recap and paid through available funds.

Capital Asset and Debt Administration

In conjunction with the annual operating budget the Town of Medfield annually prepares a capital budget for the upcoming fiscal year.

Capital assets. The Town of Medfield's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$117.8 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, vehicles, textbooks and software and infrastructure.

Debt Administration. Outstanding long-term debt of the general government, as of June 30, 2013, totaled \$28.2 million. During fiscal year 2013, the Town issued \$ \$11.4 million in refunding bonds which will reduce future debt service costs by \$1.8 million over the next 10 years. The Town paid down \$16.2 million in debt principal expense of which \$12.5 million was refunded.

The sewer enterprise fund has outstanding long-term debt totaling \$2.5 million. \$400,000 in general obligation bonds were issued in fiscal year 2013 related to various infrastructure projects.

The water enterprise fund has outstanding long-term debt totaling \$2.4 million. \$1.4 million in general obligation bonds were issued in fiscal year 2013 related to various infrastructure projects.

The Town maintains an "Aa1" bond rating from Moody's.

Please refer to notes 4, 6 and 7 for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Medfield'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 Town Accountant, 459 Main Street, Medfield, MA 02052.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2013

| | <i>Primary Government</i> | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents..... | \$ 14,921,477 | \$ 1,577,164 | \$ 16,498,641 |
| Investments..... | 12,607,434 | - | 12,607,434 |
| Receivables, net of allowance for uncollectibles: | | | |
| Real estate and personal property taxes..... | 517,730 | - | 517,730 |
| Tax liens..... | 460,910 | - | 460,910 |
| Motor vehicle and other excise taxes..... | 112,356 | - | 112,356 |
| Water fees..... | - | 743,101 | 743,101 |
| Sewer fees..... | - | 641,626 | 641,626 |
| Departmental and other..... | 102,502 | - | 102,502 |
| Special assessments..... | 446,685 | - | 446,685 |
| Intergovernmental..... | 408,373 | - | 408,373 |
| Prepaid expenses..... | 1,626,689 | - | 1,626,689 |
| Total current assets..... | <u>31,204,156</u> | <u>2,961,891</u> | <u>34,166,047</u> |
| NONCURRENT: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Intergovernmental..... | 317,057 | - | 317,057 |
| Special assessments..... | 3,219,620 | - | 3,219,620 |
| Capital assets, nondepreciable..... | 18,571,810 | 2,587,649 | 21,159,459 |
| Capital assets, net of accumulated depreciation..... | <u>88,167,174</u> | <u>8,519,113</u> | <u>96,686,287</u> |
| Total noncurrent assets..... | <u>110,275,661</u> | <u>11,106,762</u> | <u>121,382,423</u> |
| TOTAL ASSETS..... | <u>141,479,817</u> | <u>14,068,653</u> | <u>155,548,470</u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable..... | 753,589 | - | 753,589 |
| Accrued liabilities..... | 15,583 | - | 15,583 |
| Accrued payroll..... | 1,618,765 | 20,697 | 1,639,462 |
| Accrued interest..... | 267,406 | 46,428 | 313,834 |
| Payroll withholdings..... | 108,055 | - | 108,055 |
| Other liabilities..... | 59,049 | - | 59,049 |
| Deferred revenue..... | 94,915 | - | 94,915 |
| Landfill closure..... | 23,000 | - | 23,000 |
| Compensated absences..... | 476,000 | 23,000 | 499,000 |
| Bonds payable..... | <u>3,735,899</u> | <u>502,421</u> | <u>4,238,320</u> |
| Total current liabilities..... | <u>7,152,261</u> | <u>592,546</u> | <u>7,744,807</u> |
| NONCURRENT: | | | |
| Landfill closure..... | 184,000 | - | 184,000 |
| Compensated absences..... | 516,000 | 8,000 | 524,000 |
| Other postemployment benefits obligation..... | 11,595,635 | 216,949 | 11,812,584 |
| Bonds payable..... | <u>24,457,912</u> | <u>4,491,133</u> | <u>28,949,045</u> |
| Total noncurrent liabilities..... | <u>36,753,547</u> | <u>4,716,082</u> | <u>41,469,629</u> |
| TOTAL LIABILITIES..... | <u>43,905,808</u> | <u>5,308,628</u> | <u>49,214,436</u> |
| NET POSITION | | | |
| Net investment in capital assets..... | 79,179,286 | 6,609,417 | 85,788,703 |
| Restricted for: | | | |
| Debt service..... | 12,080,661 | - | 12,080,661 |
| Permanent funds: | | | |
| Expendable..... | 789,193 | - | 789,193 |
| Nonexpendable..... | 1,242,519 | - | 1,242,519 |
| Gifts and grants..... | 844,226 | - | 844,226 |
| Unrestricted..... | <u>3,438,124</u> | <u>2,150,608</u> | <u>5,588,732</u> |
| TOTAL NET POSITION..... | <u>\$ 97,574,009</u> | <u>\$ 8,760,025</u> | <u>\$ 106,334,034</u> |

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..... | \$ 3,119,583 | \$ 698,344 | \$ 10,170 | \$ - | \$ (2,411,069) |
| Public safety..... | 5,512,744 | 828,035 | - | - | (4,684,709) |
| Education..... | 42,566,264 | 1,530,939 | 12,204,692 | 9,857 | (28,820,776) |
| Public works..... | 4,767,656 | 166,618 | - | 507,908 | (4,093,130) |
| Human services..... | 719,200 | 69,522 | 75,011 | - | (574,667) |
| Culture and recreation..... | 1,869,085 | 441,817 | 30,913 | - | (1,396,355) |
| Interest..... | 769,169 | - | 18,000 | - | (751,169) |
| Total Governmental Activities..... | <u>59,323,701</u> | <u>3,735,275</u> | <u>12,338,786</u> | <u>517,765</u> | <u>(42,731,875)</u> |
| <i>Business-Type Activities:</i> | | | | | |
| Sewer..... | 1,289,945 | 1,537,803 | - | 30,327 | 278,185 |
| Water..... | <u>1,036,748</u> | <u>1,620,575</u> | <u>-</u> | <u>-</u> | <u>583,827</u> |
| Total Business-Type Activities..... | <u>2,326,693</u> | <u>3,158,378</u> | <u>-</u> | <u>30,327</u> | <u>862,012</u> |
| Total Primary Government..... | <u>\$ 61,650,394</u> | <u>\$ 6,893,653</u> | <u>\$ 12,338,786</u> | <u>\$ 548,092</u> | <u>\$ (41,869,863)</u> |

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|------------------------------|
| Changes in net position: | | | |
| Net (expense) revenue from previous page..... | \$ (42,731,875) | \$ 862,012 | \$ (41,869,863) |
| <i>General revenues:</i> | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 35,824,349 | - | 35,824,349 |
| Motor vehicle and other excise taxes..... | 1,863,855 | - | 1,863,855 |
| Penalties and interest on taxes..... | 109,428 | - | 109,428 |
| Grants and contributions not restricted to specific programs..... | 1,342,112 | - | 1,342,112 |
| Unrestricted investment income (loss)..... | (15,420) | - | (15,420) |
| Miscellaneous..... | 270,691 | - | 270,691 |
| <i>Transfers, net</i> | <u>573,796</u> | <u>(573,796)</u> | <u>-</u> |
| Total general revenues and transfers..... | <u>39,968,811</u> | <u>(573,796)</u> | <u>39,395,015</u> |
| Change in net position..... | (2,763,064) | 288,216 | (2,474,848) |
| <i>Net Position:</i> | | | |
| Beginning of year (as restated)..... | <u>100,337,073</u> | <u>8,471,809</u> | <u>108,808,882</u> |
| End of year..... | \$ <u><u>97,574,009</u></u> | \$ <u><u>8,760,025</u></u> | \$ <u><u>106,334,034</u></u> |

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2013

| ASSETS | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--|---|
| Cash and cash equivalents..... | \$ 12,411,611 | \$ 2,509,866 | \$ 14,921,477 |
| Investments..... | 11,134,336 | 1,473,098 | 12,607,434 |
| Receivables, net of uncollectibles: | | | |
| Real estate and personal property taxes..... | 517,730 | - | 517,730 |
| Tax liens..... | 460,910 | - | 460,910 |
| Motor vehicle and other excise taxes..... | 112,356 | - | 112,356 |
| Departmental and other..... | 102,502 | - | 102,502 |
| Special assessments..... | 3,666,305 | - | 3,666,305 |
| Intergovernmental..... | 721,201 | 4,229 | 725,430 |
| Prepaid expenses..... | 1,626,689 | - | 1,626,689 |
| TOTAL ASSETS..... | \$ 30,753,640 | \$ 3,987,193 | \$ 34,740,833 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES: | | | |
| Warrants payable..... | \$ 478,722 | \$ 274,867 | \$ 753,589 |
| Accrued liabilities..... | 15,583 | - | 15,583 |
| Accrued payroll..... | 1,546,782 | 71,983 | 1,618,765 |
| Payroll withholdings..... | 108,055 | - | 108,055 |
| Other liabilities..... | 59,049 | - | 59,049 |
| Deferred revenues..... | 5,410,381 | 94,915 | 5,505,296 |
| TOTAL LIABILITIES..... | 7,618,572 | 441,765 | 8,060,337 |
| FUND BALANCES: | | | |
| Nonspendable..... | - | 1,242,519 | 1,242,519 |
| Restricted..... | 16,124,555 | 1,846,662 | 17,971,217 |
| Committed..... | 354,049 | 731,115 | 1,085,164 |
| Assigned..... | 1,461,405 | - | 1,461,405 |
| Unassigned..... | 5,195,059 | (274,868) | 4,920,191 |
| TOTAL FUND BALANCES..... | 23,135,068 | 3,545,428 | 26,680,496 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 30,753,640 | \$ 3,987,193 | \$ 34,740,833 |

See notes to basic financial statements.

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

JUNE 30, 2013

| | | |
|---|---------------------|--------------------------|
| Total governmental fund balances..... | \$ | 26,680,496 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | | 106,738,984 |
| Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds..... | | 5,410,381 |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due..... | | (267,406) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | | |
| Bonds payable..... | (28,193,811) | |
| Landfill liability..... | (207,000) | |
| Compensated absences..... | (992,000) | |
| Other postemployment benefits obligation..... | <u>(11,595,635)</u> | |
| Net effect of reporting long-term liabilities..... | | <u>(40,988,446)</u> |
| Net position of governmental activities..... | \$ | <u><u>97,574,009</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 | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 35,561,941 | \$ - | \$ 35,561,941 |
| Tax liens..... | 119,606 | - | 119,606 |
| Motor vehicle and other excise taxes..... | 1,812,185 | - | 1,812,185 |
| Charges for services..... | - | 2,412,054 | 2,412,054 |
| Penalties and interest on taxes..... | 88,758 | - | 88,758 |
| Fees..... | 50,820 | - | 50,820 |
| Rentals..... | 300,032 | - | 300,032 |
| Payments in lieu of taxes..... | 1,118 | - | 1,118 |
| Licenses and permits..... | 409,435 | - | 409,435 |
| Fines and forfeitures..... | 19,552 | 113,716 | 133,268 |
| Intergovernmental..... | 12,770,320 | 1,569,529 | 14,339,849 |
| Departmental and other..... | 550,677 | 42,370 | 593,047 |
| Special assessments..... | 688,475 | - | 688,475 |
| Contributions..... | - | 246,855 | 246,855 |
| Investment income (loss)..... | (1,151) | (14,269) | (15,420) |
| Miscellaneous..... | - | 8,193 | 8,193 |
| TOTAL REVENUES..... | 52,371,768 | 4,378,448 | 56,750,216 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government..... | 2,049,053 | 147,431 | 2,196,484 |
| Public safety..... | 3,961,602 | 267,345 | 4,228,947 |
| Education..... | 33,005,296 | 3,196,297 | 36,201,593 |
| Public works..... | 2,738,299 | 1,053,717 | 3,792,016 |
| Human services..... | 423,858 | 85,080 | 508,938 |
| Culture and recreation..... | 1,057,980 | 505,962 | 1,563,942 |
| Pension benefits..... | 1,560,776 | - | 1,560,776 |
| Property and liability insurance..... | 148,013 | - | 148,013 |
| Employee benefits..... | 3,951,646 | - | 3,951,646 |
| State and county charges..... | 446,646 | - | 446,646 |
| Debt service: | | | |
| Principal..... | 3,747,614 | - | 3,747,614 |
| Interest..... | 982,500 | - | 982,500 |
| TOTAL EXPENDITURES..... | 54,073,283 | 5,255,832 | 59,329,115 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (1,701,515) | (877,384) | (2,578,899) |
| OTHER FINANCING SOURCES (USES): | | | |
| Proceeds from refunding bonds..... | 11,420,000 | - | 11,420,000 |
| Premium from issuance of refunding bonds..... | 1,675,478 | - | 1,675,478 |
| Payments to refunded bond escrow agent..... | (12,849,775) | - | (12,849,775) |
| Transfers in..... | 760,593 | 68,600 | 829,193 |
| Transfers out..... | (40,000) | (66,827) | (106,827) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 966,296 | 1,773 | 968,069 |
| NET CHANGE IN FUND BALANCES..... | (735,219) | (875,611) | (1,610,830) |
| FUND BALANCES AT BEGINNING OF YEAR (AS RESTATED)..... | 23,870,287 | 4,421,039 | 28,291,326 |
| FUND BALANCES AT END OF YEAR..... | \$ 23,135,068 | \$ 3,545,428 | \$ 26,680,496 |

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..... \$ (1,610,830)

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.

| | |
|---------------------------|--------------------|
| Capital outlay..... | 1,758,974 |
| Depreciation expense..... | <u>(3,716,587)</u> |

Net effect of reporting capital assets..... (1,957,613)

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..... (1,023,645)

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.

| | |
|---|------------------|
| Premium from issuance of bonds, net of issue costs..... | (1,429,775) |
| Issuance of refunding bonds and notes..... | (11,420,000) |
| Deferred loss on refunding..... | 394,775 |
| Payments to refunded bond escrow agent..... | 12,455,000 |
| Debt service principal payments..... | <u>3,747,614</u> |

Net effect of reporting long-term debt..... 3,747,614

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.

| | |
|---|--------------------|
| Net change in compensated absences accrual..... | (31,000) |
| Net change in landfill liability..... | 23,000 |
| Net change in accrued interest on long-term debt..... | 111,594 |
| Amortization of bond premiums..... | 174,507 |
| Amortization of deferred charge on refunding..... | (72,770) |
| Net change in other postemployment benefits obligation..... | <u>(1,989,918)</u> |

Net effect of recording long-term liabilities and amortizing deferred losses..... (1,784,587)

Internal service funds are used by management to account for health insurance.

The net activity of internal service funds is reported with Governmental Activities..... (134,003)

Change in net position of governmental activities..... \$ (2,763,064)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2013

| | Sewer Enterprise | Water Enterprise | Total |
|---|----------------------------|----------------------------|----------------------------|
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents..... | \$ 794,671 | \$ 782,493 | \$ 1,577,164 |
| Receivables, net of allowance for uncollectibles: | | | |
| Water fees..... | - | 743,101 | 743,101 |
| Sewer fees..... | 641,626 | - | 641,626 |
| Total current assets..... | <u>1,436,297</u> | <u>1,525,594</u> | <u>2,961,891</u> |
| NONCURRENT: | | | |
| Capital assets, nondepreciable..... | 321,519 | 2,266,130 | 2,587,649 |
| Capital assets, depreciable..... | 5,004,569 | 3,514,544 | 8,519,113 |
| Total noncurrent assets..... | <u>5,326,088</u> | <u>5,780,674</u> | <u>11,106,762</u> |
| TOTAL ASSETS..... | <u>6,762,385</u> | <u>7,306,268</u> | <u>14,068,653</u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Accrued payroll..... | 8,173 | 12,524 | 20,697 |
| Accrued interest..... | 24,186 | 22,242 | 46,428 |
| Compensated absences..... | 8,000 | 15,000 | 23,000 |
| Bonds payable..... | 217,121 | 285,300 | 502,421 |
| Total current liabilities..... | <u>257,480</u> | <u>335,066</u> | <u>592,546</u> |
| NONCURRENT: | | | |
| Compensated absences..... | - | 8,000 | 8,000 |
| Other postemployment benefits obligation..... | 103,669 | 113,280 | 216,949 |
| Bonds payable..... | 2,330,833 | 2,160,300 | 4,491,133 |
| Total noncurrent liabilities..... | <u>2,434,502</u> | <u>2,281,580</u> | <u>4,716,082</u> |
| TOTAL LIABILITIES..... | <u>2,691,982</u> | <u>2,616,646</u> | <u>5,308,628</u> |
| NET POSITION | | | |
| Net investment in capital assets..... | 2,890,040 | 3,719,377 | 6,609,417 |
| Unrestricted..... | 1,180,363 | 970,245 | 2,150,608 |
| TOTAL NET POSITION..... | <u>\$ 4,070,403</u> | <u>\$ 4,689,622</u> | <u>\$ 8,760,025</u> |

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

| | Sewer Enterprise | Water Enterprise | Total | Governmental Activities - Internal Service Funds |
|---|---------------------|---------------------|---------------------|---|
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 1,537,803 | \$ 1,620,575 | \$ 3,158,378 | \$ - |
| Intergovernmental..... | 30,327 | - | 30,327 | - |
| Other..... | - | - | - | 14,567 |
| TOTAL OPERATING REVENUES | 1,568,130 | 1,620,575 | 3,188,705 | 14,567 |
| OPERATING EXPENSES: | | | | |
| Cost of services and administration | 941,532 | 716,392 | 1,657,924 | - |
| Depreciation..... | 269,549 | 241,934 | 511,483 | - |
| TOTAL OPERATING EXPENSES | 1,211,081 | 958,326 | 2,169,407 | - |
| OPERATING INCOME (LOSS)..... | 357,049 | 662,249 | 1,019,298 | 14,567 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Interest expense..... | (78,864) | (78,422) | (157,286) | - |
| INCOME (LOSS) BEFORE TRANSFERS..... | 278,185 | 583,827 | 862,012 | 14,567 |
| TRANSFERS: | | | | |
| Transfers out..... | (257,806) | (315,990) | (573,796) | (148,570) |
| TOTAL OPERATING TRANSFERS..... | (257,806) | (315,990) | (573,796) | (148,570) |
| CHANGE IN NET POSITION..... | 20,379 | 267,837 | 288,216 | (134,003) |
| NET POSITION AT BEGINNING OF YEAR (AS RECLASSIFIED)..... | 4,050,024 | 4,421,785 | 8,471,809 | 134,003 |
| NET POSITION AT END OF YEAR..... | \$ 4,070,403 | \$ 4,689,622 | \$ 8,760,025 | \$ - |

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2013

| | Business-type Activities - Enterprise Fund | | | Governmental Activities - Internal Service Funds |
|---|---|---------------------|---------------------|---|
| | Sewer Enterprise | Water Enterprise | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Receipts from customers and users..... | \$ 1,470,890 | \$ 1,394,225 | \$ 2,865,115 | \$ - |
| Receipts from interfund services provided..... | - | - | - | 14,567 |
| Receipts from other governments..... | 61,653 | - | 61,653 | - |
| Payments to vendors..... | (699,319) | (399,385) | (1,098,704) | - |
| Payments to employees..... | (217,023) | (290,668) | (507,691) | - |
| NET CASH FROM OPERATING ACTIVITIES..... | 616,201 | 704,172 | 1,320,373 | 14,567 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers out..... | (257,806) | (315,990) | (573,796) | (148,570) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Proceeds from the issuance of bonds and notes..... | 400,000 | 1,400,000 | 1,800,000 | - |
| Acquisition and construction of capital assets..... | (365,673) | (1,044,945) | (1,410,618) | - |
| Principal payments on bonds and notes..... | (150,555) | (192,960) | (343,515) | - |
| Interest paid on capital debt..... | (69,605) | (69,380) | (138,985) | - |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES..... | (185,833) | 92,715 | (93,118) | - |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | 172,562 | 480,897 | 653,459 | (134,003) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | 622,109 | 301,596 | 923,705 | 134,003 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 794,671 | \$ 782,493 | \$ 1,577,164 | \$ - |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES: | | | | |
| Operating income (loss)..... | \$ 357,049 | \$ 662,249 | \$ 1,019,298 | \$ 14,567 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | | | |
| Depreciation..... | 269,549 | 241,934 | 511,483 | - |
| Changes in assets and liabilities: | | | | |
| Intergovernmental..... | 31,326 | - | 31,326 | - |
| Water fees..... | - | (226,350) | (226,350) | - |
| Sewer fees..... | (66,913) | - | (66,913) | - |
| Accrued payroll..... | 8,000 | 12,524 | 20,524 | - |
| Accrued compensated absences..... | (8,000) | - | (8,000) | - |
| Postemployment benefits obligation..... | 25,190 | 13,815 | 39,005 | - |
| Total adjustments..... | 259,152 | 41,923 | 301,075 | - |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ 616,201 | \$ 704,172 | \$ 1,320,373 | \$ 14,567 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES: | | | | |
| Intergovernmental subsidy of principal and interest payments..... | \$ 277,518 | | | |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

| | Private Purpose Trust Funds | Agency Funds |
|---------------------------------|-----------------------------------|-----------------|
| ASSETS | | |
| Cash and cash equivalents..... | \$ 52,191 | \$ 233,657 |
| Investments..... | 134,952 | - |
| TOTAL ASSETS | 187,143 | 233,657 |
| LIABILITIES | | |
| Liabilities due depositors..... | - | 233,657 |
| NET POSITION | | |
| Held in trust..... | \$ <u>187,143</u> | \$ <u>-</u> |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Private Purpose Trust Funds</u> |
|--|--|
| <u>ADDITIONS:</u> | |
| Contributions: | |
| Private donations..... | <u>700</u> |
| Net investment income (loss): | |
| Interest..... | \$ <u>(3,340)</u> |
| TOTAL ADDITIONS..... | <u>(2,640)</u> |
| <u>DEDUCTIONS:</u> | |
| Educational scholarships..... | <u>17,509</u> |
| CHANGE IN NET POSITION..... | (20,149) |
| NET POSITION AT BEGINNING OF YEAR..... | <u>207,292</u> |
| NET POSITION AT END OF YEAR..... | \$ <u><u>187,143</u></u> |

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Medfield, Massachusetts (Town) 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 is a Massachusetts municipal corporation that is governed by an elected Board of Selectmen and an appointed Town Manager.

The Town of Medfield was incorporated in 1651. The Town operates under a Town Meeting form of government. The Town's major operations include police and fire protection, education, parks, library and recreation, public works and general administration services. In addition, the Town owns and operates a water system and solid waste disposal and recycling services.

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. It has been determined that there are no component units that meet the requirements for inclusion in the Town's basic financial statements.

Joint Venture

The Town has entered into a joint venture with the Towns of Franklin, Medway, Millis, Norfolk, North Attleborough, Plainville, Seekonk, Sherborn, Walpole and Wrentham, to pool resources and share the costs, risks and rewards of providing vocational education through the Tri-County Regional Vocational Technical High School. The Town of Medfield's fiscal year 2013 assessment to Tri-County Regional Vocational Technical High School was \$187,033. The District issues a separate audited financial statement which may be obtained by contacting the District located at 147 Pond St, Franklin, MA 02038.

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 are reported as separate columns in the fund financial statements. Nonmajor 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, 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 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 and report 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 nonoperating revenues and expenses.

The following proprietary fund types are reported:

The *sewer enterprise fund* accounts for the Town's sewer activities.

The *water enterprise fund* accounts for the Town's water 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 Town's health insurance and workers' compensation. This fund was liquidated in fiscal 2013.

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

The following fiduciary fund types are reported:

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, such as collection and payment of charges for special details, escrow accounts, deposits and deputy collector accounts.

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 Assessors for 95% 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 second and fourth quarter of every fiscal 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 for 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.

Sewer

Sewer user fees are levied semi-annually for individual and small commercial meter readings and quarterly for large commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

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

Water

Water user fees are levied semi-annually for individual and small commercial meter readings and quarterly for large commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed in December of every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the fiscal year of the levy.

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

Departmental and Other

Departmental and other receivables consist primarily of ambulance and police detail receivables which are recorded as receivables in the fiscal year accrued. The allowance of 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. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the governmental 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> |
|----------------------------|---|
| Computer software..... | 3-7 |
| Office equipment..... | 3-10 |
| Vehicles..... | 5 |
| Building improvements..... | 20 |
| Buildings..... | 40 |
| Infrastructure..... | 30-75 |

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.

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 has no items at year end that qualify for deferred outflow status.

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 has no items at year end that qualify for deferred inflow status.

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.

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 and the Massachusetts Water Pollution Abatement Trust's loan subsidy program is not considered to be capital related debt.

Net position is reported as restricted when amounts 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:

"Debt service" represents funds received in prior years from the MSBA that have been set aside for future debt payments.

"Permanent funds – expendable" represents the endowment and the amount of realized and unrealized investment earnings of donor restricted trusts that support governmental programs.

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

"Gifts and grants" represents restrictions placed on assets from outside parties and consists primarily of gifts and federal and state grants.

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 equity is classified as fund balance. Fund balance is further classified 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 that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

"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 Town's by-laws authorize the Town Auditor to assign fund balance. Assignments generally only exist temporarily. Additional action does not 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.

The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

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.

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).

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.

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. Fund Deficits

Deficits were noted in individual nonmajor funds and will be funded through state grants and bonding in fiscal year 2014.

R. 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.

S. Prior Period Restatement and Reclassification

A \$177,944 reclassification was recorded in fiscal year 2013 between the governmental activities and the water and sewer enterprise funds. This reclassification was necessary as the prior year the OPEB liability was fully booked to the governmental activities rather than charging the liability to the respective enterprise funds.

| Fund | June 30, 2012 Previously Reported Balances | Reclass OPEB Liability | June 30, 2013 Restated Balances |
|----------------------------|---|---------------------------|---------------------------------------|
| Sewer enterprise fund..... | \$ 4,128,503 | \$ (78,479) | \$ 4,050,024 |
| Water enterprise fund..... | <u>4,521,250</u> | <u>(99,465)</u> | <u>4,421,785</u> |
| Total..... | <u>\$ 8,649,753</u> | <u>\$ (177,944)</u> | <u>\$ 8,471,809</u> |

A \$2,240,808 restatement was recorded in fiscal year 2013 due to the MSBA receivable in fiscal year 2012 being understated and the Chapter 90 receivable being overstated.

| Fund | June 30, 2012 Previously Reported Balances | Reclass OPEB Liability | MSBA Restatement | Ch 90 Restatement | June 30, 2013 Restated Balances |
|-------------------------------|---|---------------------------|---------------------|-----------------------|---------------------------------------|
| Governmental activities..... | \$ 101,765,825 | \$ 177,944 | \$ 317,056 | \$ (1,923,752) | \$ 100,337,073 |
| Business-type activities..... | <u>8,649,753</u> | <u>(177,944)</u> | <u>-</u> | <u>-</u> | <u>8,471,809</u> |
| Total..... | <u>\$ 110,415,578</u> | <u>\$ -</u> | <u>\$ 317,056</u> | <u>\$ (1,923,752)</u> | <u>\$ 108,808,882</u> |

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 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 ("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 has adopted a formal policy to limit custodial credit risk of deposits. The policy limits the Town's uninsured, uncollateralized deposits to 5% of any one institution's assets and no more than 20% of the Town's cash. At fiscal year-end, the carrying amount of deposits totaled \$13,239,305 and the bank balance totaled \$14,787,373. Of the bank balance, \$5,512,247 was covered by Federal Depository Insurance, \$40,275 was covered by Depositor's Insurance Fund, \$500,000 was covered by Securities Investor Protection Corporation and \$8,734,851 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2013, the Town of Medfield had the following investments:

| Investment Type | Fair Value | Maturity | | | |
|--|------------|--------------|--------------|--------------|---------------|
| | | Under 1 Year | 1-5 Years | 6-10 Years | Over 10 Years |
| <u>Debt Securities:</u> | | | | | |
| Government Sponsored Enterprises... \$ | 5,507,669 | \$ - | \$ 3,909,620 | \$ 1,524,246 | \$ 73,803 |
| Corporate Bonds..... | 3,405,333 | 154,695 | 3,250,638 | - | - |
| Total Debt Securities..... | 8,913,002 | \$ 154,695 | \$ 7,160,258 | \$ 1,524,246 | \$ 73,803 |
| <u>Other Investments:</u> | | | | | |
| Equity Mutual Funds..... | 3,829,384 | | | | |
| MMDT..... | 3,545,184 | | | | |
| Total Investments..... \$ | 16,287,570 | | | | |

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

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 the possession of an outside party. The Town has custodial credit risk exposure of \$8,913,002 because the government sponsored enterprise securities and corporate bonds are uninsured, unregistered and held by the counterparty. The Town’s policy related to custodial credit risk is to limit the Town’s exposure to only those institutions with a proven financial strength, capital adequacy, and an overall affirmative reputation in the municipal industry.

Interest Rate Risk

To manage its exposure to fair value losses arising from increasing interest rates, the Town’s policy limits the investment of short-term funds to maturities of up to twelve months.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. The Town’s policy related to Credit Risk places no limit on investments in MMDT and U.S. Treasuries and Agencies. With regards to other investments, the Treasurer will limit purchases to investment grade securities with a high concentration in securities rated A or better. All of the Town’s government sponsored enterprises of \$5,507,669 are rated AA+. Corporate bonds of \$1,405,215 are rated AA+, \$888,457 are rated A-, and \$1,111,661 are rated BBB+.

Additionally, the Town holds \$3,545,184 in MMDT which are unrated.

Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. More than 5 percent of the Town’s investments of \$12,742,386 are in the following securities:

| <u>Issuer</u> | <u>Percent of Total Investments</u> |
|--|---|
| United States Treasury Notes..... | 24% |
| Federated Government Ultrashort Duration Fund..... | 15% |
| General Electric Capital Corporation..... | 11% |
| United States Treasury Bonds..... | 10% |
| Hewlett Packard Corporation..... | 9% |
| Federated GNMA Trust (IS)..... | 8% |
| Federal National Mortgage Association (FNMA)..... | 7% |
| AT&T, Inc..... | 6% |

NOTE 3 – RECEIVABLES

At June 30, 2013, receivables for the individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, 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.... | \$ 538,268 | \$ (20,538) | \$ 517,730 |
| Tax liens..... | 460,910 | - | 460,910 |
| Motor vehicle and other excise taxes..... | 112,356 | - | 112,356 |
| Departmental and other..... | 229,610 | (127,108) | 102,502 |
| Special assessments..... | 3,666,305 | - | 3,666,305 |
| Intergovernmental..... | 725,430 | - | 725,430 |
| Total..... | <u>\$ 5,732,879</u> | <u>\$ (147,646)</u> | <u>\$ 5,585,233</u> |

At June 30, 2013, receivables for the sewer and water enterprise funds are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---------------------|---------------------|---------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Sewer fees..... | \$ 641,626 | \$ - | \$ 641,626 |
| Water fees..... | 743,101 | - | 743,101 |
| Total..... | <u>\$ 1,384,727</u> | <u>\$ -</u> | <u>\$ 1,384,727</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 | Nonmajor Governmental Funds | Total |
|---|---------------------|-----------------------------------|---------------------|
| <u>Receivable type:</u> | | | |
| Real estate and personal property taxes.... | \$ 434,195 | \$ 94,915 | \$ 529,110 |
| Tax liens..... | 460,910 | - | 460,910 |
| Motor vehicle and other excise taxes..... | 112,356 | - | 112,356 |
| Departmental and other..... | 92,592 | - | 92,592 |
| Special assessments..... | 3,676,215 | - | 3,676,215 |
| Intergovernmental..... | 634,113 | - | 634,113 |
| Total..... | <u>\$ 5,410,381</u> | <u>\$ 94,915</u> | <u>\$ 5,505,296</u> |

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the governmental activities 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..... | \$ 16,730,194 | \$ - | \$ - | \$ 16,730,194 |
| Construction in progress..... | 1,171,401 | 804,982 | (134,767) | 1,841,616 |
| Total capital assets not being depreciated..... | 17,901,595 | 804,982 | (134,767) | 18,571,810 |
| <u>Capital assets being depreciated:</u> | | | | |
| Land improvements..... | 21,957 | - | - | 21,957 |
| Buildings and Improvements..... | 83,004,279 | 258,018 | - | 83,262,297 |
| Machinery and equipment..... | 5,968,554 | 372,185 | (9,500) | 6,331,239 |
| Vehicles..... | 900,456 | 113,078 | - | 1,013,534 |
| Textbooks and software..... | 2,641,404 | - | - | 2,641,404 |
| Infrastructure..... | 51,427,066 | 345,478 | - | 51,772,544 |
| Total capital assets being depreciated..... | 143,963,716 | 1,088,759 | (9,500) | 145,042,975 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements..... | (17,282) | (850) | - | (18,132) |
| Buildings and Improvements..... | (21,751,376) | (2,023,427) | - | (23,774,803) |
| Machinery and equipment..... | (4,071,788) | (318,680) | 9,500 | (4,380,968) |
| Vehicles..... | (703,787) | (94,533) | - | (798,320) |
| Textbooks and software..... | (2,515,961) | (19,590) | - | (2,535,551) |
| Infrastructure..... | (24,108,520) | (1,259,507) | - | (25,368,027) |
| Total accumulated depreciation..... | (53,168,714) | (3,716,587) | 9,500 | (56,875,801) |
| Total capital assets being depreciated, net..... | 90,795,002 | (2,627,828) | - | 88,167,174 |
| Total governmental activities capital assets, net..... | \$ 108,696,597 | \$ (1,822,846) | \$ (134,767) | \$ 106,738,984 |

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|--------------|-------------------|
| Sewer Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Construction in progress..... | \$ 371,574 | \$ 321,519 | \$ (371,574) | \$ 321,519 |
| <u>Capital assets being depreciated:</u> | | | | |
| Building and Improvements..... | \$ 7,096,950 | \$ 400,000 | \$ - | \$ 7,496,950 |
| Machinery and equipment..... | 504,334 | 15,728 | - | 520,062 |
| Vehicles..... | 75,780 | - | - | 75,780 |
| Infrastructure..... | 1,004,031 | - | - | 1,004,031 |
| Total capital assets being depreciated..... | 8,681,095 | 415,728 | - | 9,096,823 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Building and Improvements..... | \$ (3,425,812) | \$ (177,870) | \$ - | \$ (3,603,682) |
| Machinery and equipment..... | (210,459) | (31,577) | - | (242,036) |
| Vehicles..... | (60,930) | (9,900) | - | (70,830) |
| Infrastructure..... | (125,504) | (50,202) | - | (175,706) |
| Total accumulated depreciation..... | (3,822,705) | (269,549) | - | (4,092,254) |
| Total sewer capital assets being depreciated, net..... | 4,858,390 | 146,179 | - | 5,004,569 |
| Total sewer capital assets, net..... | \$ 5,229,964 | \$ 467,698 | \$ (371,574) | \$ 5,326,088 |
| Water Activities | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 1,248,033 | \$ - | \$ - | \$ 1,248,033 |
| Construction in progress..... | 373,152 | 1,018,097 | (373,152) | 1,018,097 |
| Total capital assets not being depreciated..... | 1,621,185 | 1,018,097 | (373,152) | 2,266,130 |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings..... | 1,945,015 | - | - | 1,945,015 |
| Machinery and equipment..... | 438,391 | - | - | 438,391 |
| Vehicles and other..... | 219,689 | - | - | 219,689 |
| Infrastructure..... | 5,474,215 | 400,000 | - | 5,874,215 |
| Total capital assets being depreciated..... | 8,077,310 | 400,000 | - | 8,477,310 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings..... | (1,067,274) | (45,817) | - | (1,113,091) |
| Machinery and equipment..... | (215,362) | (24,503) | - | (239,865) |
| Vehicles and other..... | (133,885) | (30,173) | - | (164,058) |
| Infrastructure..... | (3,304,311) | (141,441) | - | (3,445,752) |
| Total accumulated depreciation..... | (4,720,832) | (241,934) | - | (4,962,766) |
| Total water capital assets being depreciated, net..... | 3,356,478 | 158,066 | - | 3,514,544 |
| Total water capital assets, net..... | \$ 4,977,663 | \$ 1,176,163 | \$ (373,152) | \$ 5,780,674 |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General government..... | \$ 89,050 |
| Public safety..... | 181,858 |
| Education..... | 1,826,158 |
| Public works..... | 1,442,551 |
| Health and human services..... | 83,401 |
| Culture and recreation..... | <u>93,569</u> |
| Total depreciation expense - governmental activities..... | <u>\$ 3,716,587</u> |
| Business-Type Activities: | |
| Sewer..... | \$ 269,549 |
| Water..... | <u>241,934</u> |
| Total depreciation expense - business-type activities..... | <u>\$ 511,483</u> |

NOTE 5 – INTERFUND TRANSFERS

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

| Transfers Out: | Transfers In: | | |
|----------------------------------|-------------------|-----------------------------|--------------------|
| | General Fund | Nonmajor Governmental Funds | Total |
| General Fund..... | \$ - | \$ 40,000 | \$ 40,000 (1) |
| Nonmajor Governmental Funds..... | 38,227 | 28,600 | 66,827 (2) |
| Sewer Enterprise Fund..... | 257,806 | - | 257,806 (3) |
| Water Enterprise Fund..... | 315,990 | - | 315,990 (3) |
| Internal Service Funds..... | <u>148,570</u> | <u>-</u> | <u>148,570 (4)</u> |
| Total..... | <u>\$ 760,593</u> | <u>\$ 68,600</u> | <u>\$ 829,193</u> |

- (1) Represents a budgeted transfer from the unemployment permanent fund to the general fund.
- (2) Represents budgeted transfers from other available funds to the general fund.
- (3) Represents a budgeted transfer from the sewer and water enterprise funds to the general fund for indirect costs.
- (4) Represents a transfer from the internal service fund to the general fund to close out the internal service fund.

NOTE 6 – 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 water and sewer enterprise funds, respectively.

The governmental and enterprise funds did not issue or redeem short-term debt during the year and did not have any amounts outstanding at year-end.

NOTE 7 – 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 order to take advantage of favorable interest rates, the Town issued \$11,420,000 of General Obligation Refunding Bonds on July 26, 2012. \$12,445,000 of General Obligation Bonds were defeased by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$394,775. A premium was also recognized in the amount of \$1,429,775. These amounts are being recorded as deferred charges and premium on refunding and are being amortized over the life of the refunded debt, which is the same as the remaining life of the refunded debt. The refunding was undertaken to reduce total debt service payments over the next 10 years by \$1,752,988 and resulted in an economic gain (the difference between the present values of the debt service payments of the refunded and refunding bonds) of \$1,621,597. At June 30, 2013, \$12,455,000 of bonds outstanding from the refunding is considered to be defeased.

Details related to the outstanding indebtedness at June 30, 2013, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

| Issue: | Maturities Through | Original Loan Amount | Coupon Rate (%) | Outstanding at June 30, 2012 | Issued | Redeemed | Outstanding at June 30, 2013 |
|--|--------------------|----------------------|-----------------|------------------------------|---------------|-----------------|------------------------------|
| MWPAT Bond of 2001..... | 2020 | \$ 74,538 | 4.10-5.75% | \$ 33,022 | \$ - | \$ (4,174) | \$ 28,848 |
| Municipal Purpose Bonds of 2002..... | N/A | 23,620,000 | 2-5% | 13,890,000 | - | (13,890,000) | - |
| MWPAT Bond of 2004..... | 2019 | 433,900 | 4-5.125% | 229,700 | - | (16,900) | 212,800 |
| Municipal Purpose Refunding Bonds of 2005..... | 2020 | 8,311,300 | 3.68% | 5,121,100 | - | (876,200) | 4,244,900 |
| Municipal Purpose Bonds of 2007..... | 2025 | 4,230,000 | 4-5% | 2,890,000 | - | (240,000) | 2,650,000 |
| Municipal Purpose Bond of 2010..... | 2025 | 1,550,000 | 2-4% | 1,340,000 | - | (105,000) | 1,235,000 |
| Municipal Purpose Refunding Bonds of 2012..... | 2022 | 8,704,840 | 3-4% | 8,704,840 | - | (955,340) | 7,749,500 |
| Municipal Purpose Refunding Bonds of 2013..... | 2023 | 11,420,000 | 2-3% | - | 11,420,000 | (115,000) | 11,305,000 |
| Total governmental bonds payable..... | | | | \$ 32,208,662 | \$ 11,420,000 | \$ (16,202,614) | \$ 27,426,048 |
| Unamortized premiums on bonds..... | | | | 134,700 | 1,429,775 | (174,507) | 1,389,968 |
| Unamortized deferred losses on bonds..... | | | | (300,200) | (394,775) | 72,770 | (622,205) |
| Total outstanding bonds payable reported in governmental activities..... | | | | \$ 32,043,162 | \$ 12,455,000 | \$ (16,304,351) | \$ 28,193,811 |

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

Governmental Funds

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|---------------------|----------------------|
| 2014..... | \$ 3,579,974 | \$ 939,222 | \$ 4,519,196 |
| 2015..... | 3,504,574 | 830,937 | 4,335,511 |
| 2016..... | 3,197,100 | 727,761 | 3,924,861 |
| 2017..... | 2,844,300 | 623,290 | 3,467,590 |
| 2018..... | 2,815,300 | 519,187 | 3,334,487 |
| 2019..... | 2,771,400 | 420,055 | 3,191,455 |
| 2020..... | 2,693,300 | 327,529 | 3,020,829 |
| 2021..... | 2,225,100 | 237,162 | 2,462,262 |
| 2022..... | 1,855,000 | 145,481 | 2,000,481 |
| 2023..... | 1,345,000 | 62,725 | 1,407,725 |
| 2024..... | 300,000 | 24,498 | 324,498 |
| 2025..... | 295,000 | 12,250 | 307,250 |
| Total..... | \$ <u>27,426,048</u> | \$ <u>4,870,097</u> | \$ <u>32,296,145</u> |

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$55,321 and interest costs for \$29,016. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$193,180. The principal subsidies are guaranteed. The interest subsidies are supported through future investment income and are expected to be made, although not guaranteed. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2013 principal and interest subsidies totaled approximately \$0 and \$18,000, respectively.

The Commonwealth has approved school construction assistance. 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 \$327,000 of such assistance was received. Approximately \$654,000 will be received in future fiscal years. Of this amount, \$634,000 represents reimbursement of approved construction costs, and \$20,000 represents reimbursement of long-term interest costs. Accordingly, an intergovernmental receivable of \$634,000 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.

Bonds Payable Schedule – Sewer Enterprise Fund

| Project | Maturities Through | Original Loan Amount | Coupon Rate (%) | Outstanding at June 30, 2012 | Issued | Redeemed | Outstanding at June 30, 2013 |
|---|--------------------|----------------------|-----------------|------------------------------|------------|--------------|------------------------------|
| MWPAT Sewer of 2008..... | 2029 | \$ 1,009,030 | 2.00% | \$ 879,109 | \$ - | \$ (43,855) | \$ 835,254 |
| MWPAT Sewer of 2012..... | 2033 | 400,000 | 2.00% | 400,000 | - | - | 400,000 |
| Sewer Refunding Bond of 2012..... | 2022 | 1,055,500 | 3-4% | 1,055,500 | - | (110,500) | 945,000 |
| Sewer Bond of 2013..... | 2028 | 400,000 | 2-5% | - | 400,000 | - | 400,000 |
| Total sewer enterprise bonds payable..... | | | | 2,334,609 | 400,000 | (154,355) | 2,580,254 |
| Unamortized deferred losses on bonds..... | | | | (36,100) | - | 3,800 | (32,300) |
| Total outstanding bonds payable reported in sewer enterprise funds..... | | | | \$ 2,298,509 | \$ 400,000 | \$ (150,555) | \$ 2,547,954 |

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

Sewer Enterprise Fund

| Fiscal Year | Principal | Interest | Total |
|-------------|--------------|------------|--------------|
| 2014..... | \$ 220,921 | \$ 67,446 | \$ 288,367 |
| 2015..... | 217,177 | 61,715 | 278,892 |
| 2016..... | 218,458 | 56,034 | 274,492 |
| 2017..... | 209,767 | 49,976 | 259,743 |
| 2018..... | 191,102 | 44,317 | 235,419 |
| 2019..... | 192,464 | 39,032 | 231,496 |
| 2020..... | 188,854 | 33,819 | 222,673 |
| 2021..... | 190,273 | 27,728 | 218,001 |
| 2022..... | 191,722 | 21,409 | 213,131 |
| 2023..... | 93,200 | 14,959 | 108,159 |
| 2024..... | 94,709 | 12,766 | 107,475 |
| 2025..... | 96,249 | 10,819 | 107,068 |
| 2026..... | 97,821 | 8,804 | 106,625 |
| 2027..... | 99,425 | 6,732 | 106,157 |
| 2028..... | 101,062 | 4,615 | 105,677 |
| 2029..... | 82,734 | 2,714 | 85,448 |
| 2030..... | 22,824 | 1,658 | 24,482 |
| 2031..... | 23,320 | 1,197 | 24,517 |
| 2032..... | 23,827 | 725 | 24,552 |
| 2033..... | 24,345 | 243 | 24,588 |
| Total..... | \$ 2,580,254 | \$ 466,708 | \$ 3,046,962 |

Bonds Payable Schedule – Water Enterprise Fund

| Project | Maturities Through | Original Loan Amount | Coupon Rate (%) | Outstanding at June 30, 2012 | Issued | Redeemed | Outstanding at June 30, 2013 |
|---|--------------------|----------------------|-----------------|------------------------------|--------------|--------------|------------------------------|
| Water Refunding Bonds of 2005..... | 2025 | \$ 1,110,000 | 3.68% | \$ 433,900 | \$ - | \$ (108,800) | \$ 325,100 |
| Water Bond of 2010..... | 2021 | 400,000 | 2-4% | 340,000 | - | (30,000) | 310,000 |
| Water Refunding Bonds of 2012..... | 2022 | 464,660 | 3-4% | 464,660 | - | (54,160) | 410,500 |
| Water Bond of 2013..... | 2028 | 1,400,000 | 2-5% | - | 1,400,000 | - | 1,400,000 |
| Total water enterprise bonds payable..... | | | | \$ 1,238,560 | \$ 1,400,000 | \$ (192,960) | \$ 2,445,600 |

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

Water Enterprise Fund

| Fiscal Year | Principal | Interest | Total |
|-------------|--------------|------------|--------------|
| 2014..... | \$ 285,300 | \$ 77,845 | \$ 363,145 |
| 2015..... | 286,400 | 69,221 | 355,621 |
| 2016..... | 275,800 | 60,681 | 336,481 |
| 2017..... | 165,800 | 53,212 | 219,012 |
| 2018..... | 165,800 | 47,288 | 213,088 |
| 2019..... | 165,800 | 41,364 | 207,164 |
| 2020..... | 165,800 | 35,853 | 201,653 |
| 2021..... | 164,900 | 29,884 | 194,784 |
| 2022..... | 150,000 | 22,999 | 172,999 |
| 2023..... | 120,000 | 16,175 | 136,175 |
| 2024..... | 115,000 | 11,844 | 126,844 |
| 2025..... | 115,000 | 8,875 | 123,875 |
| 2026..... | 90,000 | 5,737 | 95,737 |
| 2027..... | 90,000 | 3,487 | 93,487 |
| 2028..... | 90,000 | 1,181 | 91,181 |
| Total..... | \$ 2,445,600 | \$ 485,646 | \$ 2,931,246 |

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 \$9.5 million in authorized and unissued debt related to the DPW Garage Project.

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..... | \$ 32,208,662 | \$ 11,420,000 | \$ (16,202,614) | \$ 27,426,048 | \$ 3,579,974 |
| Unamortized premium on bonds..... | 134,700 | 1,429,775 | (174,507) | 1,389,968 | 249,364 |
| Unamortized deferred loss on refundings..... | (300,200) | (394,775) | 72,770 | (622,205) | (93,439) |
| Bonds payable, net..... | 32,043,162 | 12,455,000 | (16,304,351) | 28,193,811 | 3,735,899 |
| Landfill Closure..... | 230,000 | - | (23,000) | 207,000 | 23,000 |
| Compensated Absences..... | 961,000 | 31,000 | - | 992,000 | 476,000 |
| Other Postemployment Benefits..... | 9,783,661 | 1,811,974 | - | 11,595,635 | - |
| Total governmental..... | <u>\$ 43,017,823</u> | <u>\$ 14,297,974</u> | <u>\$ (16,327,351)</u> | <u>\$ 40,988,446</u> | <u>\$ 4,234,899</u> |
| Business-Type Activities: | | | | | |
| Long-Term Bonds..... | \$ 3,573,169 | \$ 1,800,000 | \$ (347,315) | \$ 5,025,854 | \$ 506,221 |
| Unamortized deferred loss on refundings..... | (36,100) | - | 3,800 | (32,300) | (3,800) |
| Bonds payable, net | 3,537,069 | 1,800,000 | (343,515) | 4,993,554 | 502,421 |
| Compensated Absences..... | 39,000 | 31,000 | (8,000) | 62,000 | 23,000 |
| Other Postemployment Benefits..... | 177,944 | 255,954 | - | 433,898 | - |
| Total business-type..... | <u>\$ 3,754,013</u> | <u>\$ 2,086,954</u> | <u>\$ (351,515)</u> | <u>\$ 5,489,452</u> | <u>\$ 525,421</u> |

Compensated absence liabilities related to governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. With the exception of compensated absence liabilities, the governmental long-term liabilities are generally liquidated by the general fund.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

There are 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.

In addition to the nonspendable fund balance, spendable fund balances are classified 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:

| | <u>General</u> | <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-------------------------------|---|
| FUND BALANCES: | | | |
| Nonspendable: | | | |
| Permanent fund principal..... \$ | - | \$ 1,242,519 | \$ 1,242,519 |
| Restricted for: | | | |
| School grant funds..... | - | 360,115 | 360,115 |
| School revolving funds..... | - | 168,613 | 168,613 |
| Town grant funds..... | - | 106,508 | 106,508 |
| Town revolving funds..... | - | 744,510 | 744,510 |
| Town Gift funds..... | - | 377,603 | 377,603 |
| Permanent funds..... | - | 789,193 | 789,193 |
| Pension reserve fund..... | 4,043,894 | - | 4,043,894 |
| Future debt service..... | 12,080,661 | - | 12,080,661 |
| Committed to: | | | |
| General government..... | 101,312 | - | 101,312 |
| Public safety..... | 26,594 | - | 26,594 |
| Education..... | 1,545 | - | 1,545 |
| Public works..... | 166,767 | - | 166,767 |
| Human services..... | 8,694 | - | 8,694 |
| Culture and recreation..... | 49,137 | - | 49,137 |
| Capital projects..... | - | 31,235 | 31,235 |
| Assigned to: | | | |
| General government..... | 21,764 | - | 21,764 |
| Public safety..... | 4,821 | - | 4,821 |
| Education..... | 307,642 | - | 307,642 |
| Public works..... | 34,248 | - | 34,248 |
| Human services..... | 2,316 | - | 2,316 |
| Culture and recreation..... | 1,843 | - | 1,843 |
| Balance the FY14 operating budget..... | 1,088,771 | - | 1,088,771 |
| Unassigned..... | 5,195,059 | (274,868) | 4,920,191 |
| TOTAL FUND BALANCES..... | \$ 23,135,068 | \$ 3,545,428 | \$ 26,680,496 |

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. The Town has three stabilization funds which are reported as part of the general fund.

At year end the unassigned balance of the general fund includes \$438,494 of the general stabilization fund, \$1.9 million of the betterment stabilization fund and \$299,474 of the OPEB stabilization fund. \$3.9 million for the pension reserve fund is reported under restricted fund balance within the general fund.

NOTE 9 – RISK FINANCING

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. In addition, the Town is self-insured for damages not covered by commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town is self-insured for its health insurance and workers' compensation activities and are paid on a pay-as-you-go basis from the general fund. The estimated liability for workers' compensation claims is based on history and injury type. The Town's liability is not material and therefore is not reported.

NOTE 10 – PENSION PLAN

Plan Description - The Town contributes to the Norfolk County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Norfolk County Retirement Board (Board). Substantially all employees 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 \$5,182,708 for the fiscal year ended June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and pension benefit 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 1982 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 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 Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 480 Neponset Street, Canton, MA 02021.

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. The contributions of plan members and the Town are governed by Chapter 32 of the MGL.

Annual Pension Cost - The Town's contributions to the System for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,591,704, \$1,517,376, and \$1,493,028, which equaled its required contribution for each fiscal year.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic 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 liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to

the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town’s proportionate share of the plan’s annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Medfield administers a single-employer defined benefit healthcare plan (Retiree Health Plan). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers 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. For fiscal year 2013, the Town contributed \$1.5 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..... | \$ | 3,499,080 |
| Interest on net OPEB obligation..... | | 391,347 |
| Adjustments to annual required contribution..... | | <u>(411,320)</u> |
| Annual OPEB cost (expense)..... | | 3,479,107 |
| Contributions made..... | | <u>(1,450,184)</u> |
| Increase in net OPEB obligation..... | | 2,028,923 |
| Net OPEB obligation - beginning of year..... | | <u>9,783,661</u> |
| Net OPEB obligation - end of year..... | \$ | <u><u>11,812,584</u></u> |

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the preceding three years was as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---|----------------------------|
| 6/30/2013 | \$ 3,479,107 | 41.68% | \$ 11,812,584 |
| 6/30/2012 | 3,740,624 | 37.75% | 9,783,661 |
| 6/30/2011 | 3,513,103 | 35.15% | 7,455,298 |

Funded Status and Funding Progress – As of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$42.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$30.2 million, and the ratio of the UAAL to the covered payroll was 141.9 percent. 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 January 1, 2013, actuarial valuation, actuarial liabilities were determined using the projected unit credit method. The actuarial assumptions included a 4% 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 cost trend rate of 8% initially, graded to 5% over 7 years. The UAAL is being amortized over a 26 year open period assuming a 3.25% aggregate annual payroll growth. The remaining amortization period at June 30, 2013 is 26 years.

NOTE 12 – LANDFILL

State and federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The landfill capping took place in 1997. The Town has reflected a \$207,000 post-closure care liability at June 30, 2013 as an obligation of the governmental activities. This amount is based upon estimates of what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Its cost was estimated based on semi-annual sampling for the current monitoring network at the site and estimated costs to maintain the integrity of the landfill cap during the post-closure period.

NOTE 13 – COMMITMENTS

The Town is committed to expending \$9.5 million for the DPW Garage Project.

NOTE 14 – 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 15 – 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 – 2012, 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 OTHER SOURCES AND USES
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2013

| | Budgeted Amounts | | | |
|--|---|-----------------------------------|----------------------|----------------------|
| | Amounts Carried Forward From Prior Year | Current Year Initial Budget | Original Budget | Final Budget |
| REVENUES AND OTHER SOURCES: | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ - | \$ 35,231,780 | \$ 35,231,780 | \$ 35,231,780 |
| Tax liens..... | - | - | - | - |
| Motor vehicle and other excise taxes..... | - | 1,700,000 | 1,700,000 | 1,700,000 |
| Penalties and interest on taxes..... | - | 80,000 | 80,000 | 80,000 |
| Fees..... | - | 48,102 | 48,102 | 48,102 |
| Rentals..... | - | 253,532 | 253,532 | 253,532 |
| Payments in lieu of taxes..... | - | 3,627 | 3,627 | 3,627 |
| Licenses and permits..... | - | 408,403 | 408,403 | 408,403 |
| Fines and forfeitures..... | - | 24,685 | 24,685 | 24,685 |
| Intergovernmental..... | - | 7,354,756 | 7,354,756 | 7,354,756 |
| Departmental and other..... | - | 472,402 | 472,402 | 472,402 |
| Special assessments..... | - | 484,194 | 484,194 | 484,194 |
| Investment income..... | - | 28,039 | 28,039 | 28,039 |
| Transfers in..... | - | 1,109,248 | 1,109,248 | 1,109,248 |
| Prior year encumbrances..... | 1,353,921 | - | 1,353,921 | 1,353,921 |
| Budgeted use of sewer betterment reserves..... | - | 223,424 | 223,424 | 199,915 |
| Budgeted use of debt reserves..... | - | 1,267,738 | 1,267,738 | 1,267,738 |
| Free cash..... | - | 500,000 | 500,000 | 500,000 |
| Prior year carryforward of special articles..... | - | 624,063 | 624,063 | 624,063 |
| Overlay deficit and tax title certification..... | - | (34,931) | (34,931) | (34,931) |
| FEMA funding received to offset storm costs..... | - | - | - | 66,500 |
| TOTAL REVENUES AND OTHER SOURCES..... | 1,353,921 | 49,779,062 | 51,132,983 | 51,175,974 |
| EXPENDITURES AND OTHER USES: | | | | |
| Current: | | | | |
| General Government..... | 11,401 | 2,258,335 | 2,269,736 | 2,076,942 |
| Public Safety..... | 5,609 | 3,933,959 | 3,939,568 | 3,964,158 |
| Education..... | 1,303,649 | 27,775,179 | 29,078,828 | 29,078,828 |
| Public Works..... | 29,764 | 2,786,067 | 2,815,831 | 2,884,814 |
| Human Services..... | 1,439 | 445,877 | 447,316 | 449,873 |
| Culture and Recreation..... | - | 1,069,733 | 1,069,733 | 1,077,639 |
| Pension benefits..... | - | 1,591,704 | 1,591,704 | 1,591,704 |
| Employee benefits..... | - | 4,163,460 | 4,163,460 | 4,138,460 |
| Property and liability insurance..... | - | 120,000 | 120,000 | 148,013 |
| State and county charges..... | - | 441,060 | 441,060 | 441,060 |
| Debt service: | | | | |
| Principal..... | - | 3,649,044 | 3,649,044 | 3,649,044 |
| Interest..... | 2,059 | 1,179,644 | 1,181,703 | 1,181,703 |
| Transfer out..... | - | 365,000 | 365,000 | 493,736 |
| TOTAL EXPENDITURES AND OTHER SOURCES..... | 1,353,921 | 49,779,062 | 51,132,983 | 51,175,974 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES..... | - | - | - | - |
| BUDGETARY FUND BALANCE, Beginning of year..... | 18,602,618 | 18,602,618 | 18,602,618 | 18,602,618 |
| BUDGETARY FUND BALANCE, End of year..... | \$ 18,602,618 | \$ 18,602,618 | \$ 18,602,618 | \$ 18,602,618 |

See notes to required supplementary information.

| | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|----|--------------------------------|--|--------------------------------|
| \$ | 35,203,740 | \$ - | \$ (28,040) |
| | 119,606 | | 119,606 |
| | 1,801,285 | - | 101,285 |
| | 88,758 | - | 8,758 |
| | 50,820 | - | 2,718 |
| | 300,032 | - | 46,500 |
| | 1,118 | - | (2,509) |
| | 409,435 | - | 1,032 |
| | 19,552 | - | (5,133) |
| | 7,569,612 | - | 214,856 |
| | 540,077 | - | 67,675 |
| | 688,475 | - | 204,281 |
| | 24,762 | - | (3,277) |
| | 1,410,406 | - | 301,158 |
| | - | - | (1,353,921) |
| | - | - | (199,915) |
| | - | - | (1,267,738) |
| | - | - | (500,000) |
| | - | - | (624,063) |
| | - | - | 34,931 |
| | - | - | (66,500) |
| | <u>48,227,678</u> | <u>-</u> | <u>(2,948,296)</u> |
| | 1,900,210 | 123,076 | 53,656 |
| | 3,852,784 | 31,415 | 79,959 |
| | 27,556,604 | 1,520,198 | 2,026 |
| | 2,689,700 | 201,016 | (5,902) |
| | 413,685 | 11,010 | 25,178 |
| | 1,020,492 | 50,980 | 6,167 |
| | 1,560,776 | - | 30,928 |
| | 3,951,646 | - | 186,814 |
| | 148,013 | - | - |
| | 446,646 | - | (5,586) |
| | 3,747,614 | - | (98,570) |
| | 964,500 | - | 217,203 |
| | 493,736 | - | - |
| | <u>48,746,406</u> | <u>1,937,695</u> | <u>491,873</u> |
| | (518,728) | <u>(1,937,695)</u> | <u>(2,456,423)</u> |
| | <u>18,602,618</u> | | |
| \$ | <u><u>18,083,890</u></u> | | |

Retirement System Schedules of Funding Progress and Employer Contributions

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the District is one participating employer, as well as the District's proportionate share of the plan's annual contributions.

**NORFOLK COUNTY RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL) Entry Age (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a Percentage of Covered Payroll ((B-A)/C) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 1/1/2010 | \$ 600,790,835 | \$ 1,001,881,055 | \$ 401,090,220 | 60.0% | \$ 223,332,595 | 179.6% |
| 1/1/2008 | 596,157,147 | 907,719,124 | 311,561,977 | 65.7% | 223,814,977 | 139.2% |
| 1/1/2007 | 533,077,948 | 855,677,413 | 322,599,465 | 62.3% | 219,620,865 | 146.9% |
| 1/1/2005 | 467,186,566 | 762,900,650 | 295,714,084 | 61.2% | 196,639,163 | 150.4% |
| 1/1/2003 | 415,150,776 | 675,275,257 | 260,124,481 | 61.5% | 185,281,985 | 140.4% |
| 1/1/2000 | 371,646,793 | 533,959,970 | 162,313,177 | 69.6% | 163,542,978 | 99.2% |
| 1/1/1997 | 258,771,070 | 392,463,080 | 133,692,010 | 65.9% | 126,219,194 | 105.9% |

The Town's share of the UAAL, as of January 1, 2010 is approximately 3.36%.

See notes to required supplementary information.

**NORFOLK COUNTY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

| Plan Year Ended December 31 | System Wide | | | Town of Medfield | |
|-----------------------------------|-------------------------------------|--------------------------------|---------------------------|--------------------------------|--|
| | Annual Required Contributions | (A) Actual Contributions | Percentage Contributed | (B) Actual Contributions | (B/A) Town's Percentage of System Wide Actual Contributions |
| 2012 | \$ 42,714,639 | \$ 42,714,639 | 100% | \$ 1,591,704 | 3.73% |
| 2011 | 41,206,587 | 41,206,587 | 100% | 1,517,376 | 3.68% |
| 2010 | 39,749,857 | 39,749,857 | 100% | 1,493,028 | 3.76% |
| 2009 | 38,920,499 | 38,920,499 | 100% | 1,439,162 | 3.70% |

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

Other Postemployment Benefits 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 multi-year trend information for required and actual contributions relating to the plan.

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 SCHEDULE OF EMPLOYER CONTRIBUTIONS

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL) (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a Percentage of Covered Payroll ((B-A)/C) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 1/1/2013 | \$ - | \$ 42,861,723 | \$ 42,861,723 | 0% | \$ 30,199,000 | 141.9% |
| 1/1/2011 | - | 39,775,805 | 39,775,805 | 0% | 29,389,000 | 135.3% |
| 7/1/2008 | - | 43,819,459 | 43,819,459 | 0% | N/A | N/A |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended | Annual Required Contribution | Actual Contributions Made | Percentage Contributed |
|---------------|------------------------------------|---------------------------------|---------------------------|
| 6/30/2013 | \$ 3,499,080 | \$ 1,450,184 | 41.44% |
| 6/30/2012 | 3,735,876 | 1,412,261 | 37.80% |
| 6/30/2011 | 3,503,030 | 1,234,867 | 35.25% |
| 6/30/2010 | 3,917,670 | 1,373,194 | 35.05% |

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

| | |
|----------------------------|---|
| Valuation date..... | January 1, 2013 |
| Actuarial cost method..... | Projected Unit Credit |
| Amortization method..... | Level percentage of payroll (3.25% annual rate of increase) |
| Amortization period..... | 26 years at January 1, 2013, closed |

Actuarial Assumptions:

| | |
|-----------------------------------|---|
| Investment rate of return..... | 4.00% per annum for an unfunded program |
| Medical/drug cost trend rate..... | 8.0% graded to 5.0% over 7 years |

Plan Membership:

| | |
|--|-----------------------|
| Current retirees, beneficiaries, and dependents... | 327 |
| Current active members..... | <u>459</u> |
| Total | <u><u>786</u></u> |

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**1. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is reviewed by the Finance Committee (Committee). The Committee presents the annual budget to the open Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

The majority of appropriations are non-continuing and 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 majority vote at a Special 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, including amounts carried forward from the prior fiscal years authorized approximately \$51.1 in appropriations and other amounts to be raised. There was a \$43,000 increase from the original budget to the final amended budget.

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

2. 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, follows.

| | |
|---|---------------------|
| Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures - budgetary basis..... | \$ (518,728) |
| <u>Perspective difference:</u> | |
| Activity of the stabilization fund recorded in the general fund for GAAP..... | 218,745 |
| Activity of the betterment stabilization fund recorded in the general fund for GAAP..... | (182,855) |
| Activity of the OPEB stabilization fund recorded in the general fund for GAAP..... | 30,854 |
| Activity of the pension reserve fund recorded in the general fund for GAAP..... | (138,921) |
| <u>Basis of accounting differences:</u> | |
| Net change in revenues in recording 60 day receipts..... | 350,901 |
| Net difference in recognition of expenditures..... | (495,215) |
| Increase in revenues due to on-behalf payments..... | 5,182,708 |
| Increase in expenditures due to on-behalf payments..... | <u>(5,182,708)</u> |
| Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures - GAAP basis..... | <u>\$ (735,219)</u> |

3. Appropriation Deficits

During fiscal year 2013, actual expenditures and encumbrances exceeded appropriations for snow and ice and debt service principal. These over expenditures will be funded by via the tax levy and available funds during fiscal year 2014. Additionally, state and county charges exceeded appropriations.

NOTE B – PENSION PLAN

The Town contributes to the Norfolk County Contributory Retirement System (“System”), a cost-sharing, multiple-employer defined benefit pension plan (“Plan”) administered by the Norfolk County Retirement Board (Board). The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of MGL assigns authority to establish and amend benefit provisions of the Plan. 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 actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town’s proportionate share of the plan’s annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System’s most recent actuarial valuation:

| | |
|------------------------------------|--|
| Valuation Date..... | January 1, 2010 |
| Actuarial Cost Method..... | Entry age normal actuarial cost method |
| Amortization Method..... | Increasing at 4.5% per year, level dollar for ERI liability for certain units |
| Remaining Amortization Period..... | 28 years remaining as of January 1, 2010 |
| Asset Valuation Method..... | The actuarial value of assets is determined by projecting the actuarial value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.25%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five year period. This preliminary actuarial value is not allowed to differ from the market value of assets by more than 20%. |

Actuarial Assumptions:

| | |
|---------------------------------|---|
| Investment rate of return..... | 8.25% |
| Projected salary increases..... | 4.00% |
| Cost of living adjustments..... | 3% of the lesser of the pension amount and \$12,000 per year. |

Plan Membership:

| | |
|--|----------------------|
| Retired participants and beneficiaries receiving benefits..... | 2,557 |
| Inactive participants:..... | 2,059 |
| Disabled:..... | 313 |
| Active participants..... | <u>5,526</u> |
| Total..... | <u><u>10,455</u></u> |

NOTE C – OTHER POST EMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (Other Post Employment Benefit Plan). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. 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 multiyear trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

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 Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

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