

**TOWN OF WESTFORD, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2013**

**Town of Westford, Massachusetts**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	12
Statement of Activities	13
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	18
<b>Proprietary Funds:</b>	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
<b>Notes to Financial Statements</b>	24
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedule of Funding Progress	48



MELANSON HEATH & COMPANY, PC  
CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Westford, 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 Westford, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

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

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
January 15, 2014

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

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

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

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

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

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

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

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water, ambulance, and recreation operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, ambulance, and recreation operations, which are considered to be major funds.

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

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary infor-

mation which is required to be disclosed by accounting principles generally accepted in the United States of America.

**B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$233,366,937 (i.e., net position), a change of \$(6,174,012) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$36,889,061, a change of \$268,386 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,940,853, a change of \$255,637 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$65,006,651, a change of \$(3,434,476) in comparison to the prior year.

**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 43,667	\$ 42,635	\$ 7,506	\$ 7,061	\$ 51,173	\$ 49,696
Capital assets	<u>234,381</u>	<u>240,540</u>	<u>44,328</u>	<u>43,948</u>	<u>278,709</u>	<u>284,488</u>
Total assets	278,048	283,175	51,834	51,009	329,882	334,184
Long-term liabilities outstanding	70,996	69,451	12,926	11,468	83,922	80,919
Other liabilities	<u>11,324</u>	<u>11,029</u>	<u>1,270</u>	<u>2,695</u>	<u>12,594</u>	<u>13,724</u>
Total liabilities	82,320	80,480	14,196	14,163	96,516	94,643
Net position:						
Net investment in capital assets	182,951	183,054	31,039	32,079	213,990	215,133
Restricted	5,745	5,863	-	-	5,745	5,863
Unrestricted	<u>7,032</u>	<u>13,778</u>	<u>6,600</u>	<u>4,767</u>	<u>13,632</u>	<u>18,545</u>
Total net position	<u>\$ 195,728</u>	<u>\$ 202,695</u>	<u>\$ 37,639</u>	<u>\$ 36,846</u>	<u>\$ 233,367</u>	<u>\$ 239,541</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,597	\$ 5,699	\$ 6,151	\$ 5,880	\$ 11,748	\$ 11,579
Operating grants and contributions	28,508	29,109	-	-	28,508	29,109
Capital grants and contributions	831	3,035	-	-	831	3,035
General revenues:					-	
Property taxes	63,197	60,542	-	-	63,197	60,542
Excises	3,031	2,839	-	-	3,031	2,839
Penalties and interest on taxes	1,153	991	-	-	1,153	991
Grants and contributions not restricted to specific programs	1,907	1,964	-	1,220	1,907	3,184
Investment income	58	831	9	7	67	838
Other	<u>1,698</u>	<u>1,273</u>	<u>72</u>	<u>58</u>	<u>1,770</u>	<u>1,331</u>
Total revenues	105,980	106,283	6,232	7,165	112,212	113,448
Expenses:						
General government	6,197	6,190	-	-	6,197	6,190
Public safety	8,378	8,155	-	-	8,378	8,155
Education	68,897	65,680	-	-	68,897	65,680
Public works	8,699	7,607	-	-	8,699	7,607
Health and human services	1,391	1,334	-	-	1,391	1,334
Culture and recreation	2,005	1,750	-	-	2,005	1,750
Employee benefits	14,836	12,230	-	-	14,836	12,230
Interest on long-term debt	1,578	1,646	-	-	1,578	1,646
Intergovernmental	393	362	-	-	393	362
Water operations	-	-	3,694	3,674	3,694	3,674
Ambulance operations	-	-	996	1,054	996	1,054
Recreation operations	<u>-</u>	<u>-</u>	<u>1,317</u>	<u>1,295</u>	<u>1,317</u>	<u>1,295</u>
Total expenses	<u>112,374</u>	<u>104,954</u>	<u>6,007</u>	<u>6,023</u>	<u>118,381</u>	<u>110,977</u>
Change in net position before transfers	(6,394)	1,329	225	1,142	(6,169)	2,471
Permanent fund contributions	45	-	-	-	45	-
Transfers in (out)	<u>(618)</u>	<u>(507)</u>	<u>568</u>	<u>457</u>	<u>(50)</u>	<u>(50)</u>
Change in net position	(6,967)	822	793	1,599	(6,174)	2,421
Net position - beginning of year	<u>202,695</u>	<u>201,873</u>	<u>36,846</u>	<u>35,247</u>	<u>239,541</u>	<u>237,120</u>
Net position - end of year	<u>\$ 195,728</u>	<u>\$ 202,695</u>	<u>\$ 37,639</u>	<u>\$ 36,846</u>	<u>\$ 233,367</u>	<u>\$ 239,541</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$233,366,937, a change of \$(6,174,012) from the prior year.

The largest portion of net position \$213,989,509 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$5,745,505 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$13,631,923 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(6,967,043). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (286,805)
Nonmajor fund surplus - accrual basis	743,140
Depreciation expense in excess of principal debt service	(2,024,037)
Accrued other post employment benefits	(6,325,062)
Other	<u>925,721</u>
Total	<u>\$ (6,967,043)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$793,031. Key elements of this change are as follows:

Water enterprise	\$ 688,016
Ambulance enterprise	125,241
Recreation enterprise	<u>(20,226)</u>
Total	<u>\$ 793,031</u>

**D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$36,889,061, a change of \$268,386 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (286,805)
Nonmajor funds surplus	<u>555,191</u>
Total	<u>\$ 268,386</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,940,853, while total fund balance was 27,204,606. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance*	\$ 10,940,853	\$ 10,685,216	\$ 255,637	11.5%
Total fund balance	\$ 27,204,606	\$ 27,491,411	\$ (286,805)	28.5%

\*These figures include the general stabilization fund

The total fund balance of the general fund changed by \$(286,805) during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$ 846,588
Budgetary appropriation turnbacks	1,903,511
Excess of tax collections over budget	229,890
Excess of prior year encumbrances, net of current year encumbrances	(83,198)
Use of free cash and overlay surplus	(2,347,886)
Use of designated fund balance	(44,132)
Change in stabilization	169,218
Raising of prior year snow and ice deficit	246,197
Other reclassifications	(1,056,472)
Other timing issues	<u>(150,521)</u>
Total	<u>\$ (286,805)</u>

Included in the total general fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
General stabilization	\$ 3,598,995	\$ 3,456,140	\$ 142,855
Perchlorate stabilization	<u>85,045</u>	<u>58,682</u>	<u>26,363</u>
Total	<u>\$ 3,684,040</u>	<u>\$ 3,514,822</u>	<u>\$ 169,218</u>

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$6,600,038, a change of \$1,832,703 in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no net differences between the original budget and the final amended budget.

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$278,709,315 (net of accumulated depreciation), a change of \$(5,778,969) from the prior year, as restated. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

Various water main replacements	\$1,605,622
Chapter 90	\$499,674

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

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$65,006,651, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Westford'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:

Town of Westford, Massachusetts  
55 Main Street  
Westford, Massachusetts 01886

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 18,259,545	\$ 6,219,711	\$ 24,479,256
Investments	23,591,314	-	23,591,314
Receivables, net of allowance for uncollectibles:			
Property taxes	366,502	-	366,502
Excises	249,016	-	249,016
Departmental and other	459,568	-	459,568
User fees	-	1,238,976	1,238,976
Intergovernmental	-	47,374	47,374
Other assets	75,833	-	75,833
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	464,666	-	464,666
Other assets	200,835	-	200,835
Capital assets			
Land and construction in progress	37,555,069	2,390,430	39,945,499
Other capital assets, net of accumulated depreciation	<u>196,825,964</u>	<u>41,937,852</u>	<u>238,763,816</u>
<b>TOTAL ASSETS</b>	<b>278,048,312</b>	<b>51,834,343</b>	<b>329,882,655</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,150,099	181,491	1,331,590
Accrued liabilities	1,857,910	68,864	1,926,774
Tax refunds payable	1,485,000	-	1,485,000
Other current liabilities	1,023,447	-	1,023,447
Current portion of long-term liabilities:			
Bonds payable	5,711,587	1,012,137	6,723,724
Compensated absences	71,454	7,880	79,334
Bond premium	24,162	-	24,162
Noncurrent:			
Bonds payable, net of current portion	46,194,157	12,088,770	58,282,927
Compensated absences, net of current portion	1,357,616	149,722	1,507,338
Bond premium, net of current portion	117,343	-	117,343
Accrued other post employment benefits	<u>23,327,266</u>	<u>686,813</u>	<u>24,014,079</u>
<b>TOTAL LIABILITIES</b>	<b>82,320,041</b>	<b>14,195,677</b>	<b>96,515,718</b>
<b>NET POSITION</b>			
Net investment in capital assets	182,950,881	31,038,628	213,989,509
Restricted for:			
State and federal grants	3,122,005	-	3,122,005
Permanent funds:			
Nonexpendable	604,493	-	604,493
Expendable	2,019,007	-	2,019,007
Unrestricted	<u>7,031,885</u>	<u>6,600,038</u>	<u>13,631,923</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>195,728,271</u></b>	<b>\$ <u>37,638,666</u></b>	<b>\$ <u>233,366,937</u></b>

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

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 6,196,507	\$ 421,223	\$ 494,294	\$ -	\$ (5,280,990)	\$ -	\$ (5,280,990)
Public safety	8,377,493	1,074,758	154,140	-	(7,148,595)	-	(7,148,595)
Education	68,897,411	3,316,657	27,533,311	-	(38,047,443)	-	(38,047,443)
Public works	8,699,332	86,170	-	830,644	(7,782,518)	-	(7,782,518)
Health and human services	1,391,312	413,358	253,601	-	(724,353)	-	(724,353)
Culture and recreation	2,004,502	284,764	72,379	-	(1,647,359)	-	(1,647,359)
Employee benefits	14,836,409	-	-	-	(14,836,409)	-	(14,836,409)
Interest	1,577,557	-	-	-	(1,577,557)	-	(1,577,557)
Intergovernmental	393,072	-	-	-	(393,072)	-	(393,072)
Total Governmental Activities	112,373,595	5,596,930	28,507,725	830,644	(77,438,296)	-	(77,438,296)
<b>Business-Type Activities:</b>							
Water services	3,694,177	4,238,517	-	-	-	544,340	544,340
Ambulance	996,324	773,733	-	-	-	(222,591)	(222,591)
Recreation	1,316,967	1,139,073	-	-	-	(177,894)	(177,894)
Total Business-Type Activities	6,007,468	6,151,323	-	-	-	143,855	143,855
Total	\$ 118,381,063	\$ 11,748,253	\$ 28,507,725	\$ 830,644	(77,438,296)	143,855	(77,294,441)
<b>General Revenues, Contributions, and Transfers:</b>							
Property taxes					63,197,109	-	63,197,109
Excises					3,030,771	-	3,030,771
Penalties, interest and other taxes					1,152,786	-	1,152,786
Grants and contributions not restricted to specific programs					1,907,317	-	1,907,317
Investment income					57,749	8,876	66,625
Miscellaneous					1,698,201	72,214	1,770,415
Permanent fund contributions					45,406	-	45,406
Transfers (net)					(618,086)	568,086	(50,000)
Total general revenues, contributions, and transfers					70,471,253	649,176	71,120,429
Change in Net Position					(6,967,043)	793,031	(6,174,012)
<b>Net Position:</b>							
Beginning of year					202,695,314	36,845,635	239,540,949
End of year					\$ 195,728,271	\$ 37,638,666	\$ 233,366,937

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

TOWN OF WESTFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and short-term investments	\$ 14,786,580	\$ 3,472,965	\$ 18,259,545
Investments	17,300,533	6,290,781	23,591,314
Receivables:			
Property taxes	942,623	-	942,623
Excises	277,224	-	277,224
Departmental and other	<u>364,493</u>	<u>95,075</u>	<u>459,568</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 33,671,453</u></b>	<b><u>\$ 9,858,821</u></b>	<b><u>\$ 43,530,274</u></b>
<b>LIABILITIES</b>			
Warrants payable	\$ 993,637	\$ 156,462	\$ 1,150,099
Accrued liabilities	1,535,390	-	1,535,390
Tax refunds payable	1,485,000	-	1,485,000
Other liabilities	<u>1,023,447</u>	<u>-</u>	<u>1,023,447</u>
<b>TOTAL LIABILITIES</b>	<b>5,037,474</b>	<b>156,462</b>	<b>5,193,936</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,429,373</b>	<b>17,904</b>	<b>1,447,277</b>
<b>FUND BALANCES</b>			
Nonspendable	-	572,200	572,200
Restricted	13,724,728	5,741,523	19,466,251
Committed	782,484	3,463,356	4,245,840
Assigned	1,756,541	-	1,756,541
Unassigned	<u>10,940,853</u>	<u>(92,624)</u>	<u>10,848,229</u>
<b>TOTAL FUND BALANCES</b>	<b><u>27,204,606</u></b>	<b><u>9,684,455</u></b>	<b><u>36,889,061</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 33,671,453</u></b>	<b><u>\$ 9,858,821</u></b>	<b><u>\$ 43,530,274</u></b>

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

TOWN OF WESTFORD, MASSACHUSETTS

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

JUNE 30, 2013

<b>Total governmental fund balances</b>	\$ 36,889,061
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	234,381,033
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,307,612
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(322,518)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(76,526,917)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 195,728,271</u></u>

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

TOWN OF WESTFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 61,568,292	\$ 2,488	\$ 61,570,780
Excises	2,921,395	-	2,921,395
Penalties, interest and other taxes	1,150,297	-	1,150,297
Betterments	18,410	-	18,410
Charges for services	-	5,252,991	5,252,991
Departmental	45,373	-	45,373
Intergovernmental	27,155,365	4,082,125	31,237,490
Licenses and permits	1,458,732	-	1,458,732
Fines and forfeitures	99,284	-	99,284
Investment income	47,415	140,353	187,768
Miscellaneous	<u>1,200,133</u>	<u>422,744</u>	<u>1,622,877</u>
Total Revenues	95,664,696	9,900,701	105,565,397
<b>Expenditures:</b>			
Current:			
General government	4,182,452	2,494,330	6,676,782
Public safety	8,149,226	129,946	8,279,172
Education	55,748,337	6,127,848	61,876,185
Public works	4,708,963	538,838	5,247,801
Health and human services	936,640	417,058	1,353,698
Culture and recreation	1,749,345	383,049	2,132,394
Employee benefits	12,302,063	-	12,302,063
Debt service	7,340,258	-	7,340,258
Intergovernmental	<u>393,072</u>	<u>-</u>	<u>393,072</u>
Total Expenditures	<u>95,510,356</u>	<u>10,091,069</u>	<u>105,601,425</u>
Excess (deficiency) of revenues over expenditures	154,340	(190,368)	(36,028)
<b>Other Financing Sources (Uses):</b>			
Bond proceeds	-	922,500	922,500
Transfers in	901,941	614,000	1,515,941
Transfers out	<u>(1,343,086)</u>	<u>(790,941)</u>	<u>(2,134,027)</u>
Total Other Financing Sources (Uses)	<u>(441,145)</u>	<u>745,559</u>	<u>304,414</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(286,805)	555,191	268,386
Fund Equity, at Beginning of Year	<u>27,491,411</u>	<u>9,129,264</u>	<u>36,620,675</u>
Fund Equity, at End of Year	<u>\$ 27,204,606</u>	<u>\$ 9,684,455</u>	<u>\$ 36,889,061</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2013

<b>Net changes in fund balances - total governmental funds</b>	\$ 268,386																		
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">1,643,995</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(7,803,124)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">459,240</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">5,779,087</td> </tr> <tr> <td>Amortization of refunding</td> <td style="text-align: right;">(75,833)</td> </tr> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(922,500)</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">26,637</td> </tr> </table> </li> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">32,810</td> </tr> </table> </li> <li>• Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(6,375,741)</u></td> </tr> </table> </li> </ul>		Capital outlay purchases	1,643,995	Depreciation	(7,803,124)		459,240	Repayments of debt	5,779,087	Amortization of refunding	(75,833)	Issuance of debt	(922,500)	Amortization of bond premium	26,637		32,810		<u>(6,375,741)</u>
Capital outlay purchases	1,643,995																		
Depreciation	(7,803,124)																		
	459,240																		
Repayments of debt	5,779,087																		
Amortization of refunding	(75,833)																		
Issuance of debt	(922,500)																		
Amortization of bond premium	26,637																		
	32,810																		
	<u>(6,375,741)</u>																		
<b>Change in net position of governmental activities</b>	<u>\$ (6,967,043)</u>																		

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

TOWN OF WESTFORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues and Other Sources:</b>				
Taxes	\$ 61,338,402	\$ 61,338,402	\$ 61,338,402	\$ -
Excise	2,886,668	2,886,668	2,921,395	34,727
Penalties, interest and other taxes	989,815	989,815	1,150,297	160,482
Departmental	60,000	60,000	45,373	(14,627)
Betterments	17,894	17,894	18,410	516
Intergovernmental	19,546,059	19,546,059	19,543,757	(2,302)
Licenses and permits	1,396,472	1,396,472	1,458,732	62,260
Fines and forfeits	26,000	26,000	99,284	73,284
Investment income	40,000	40,000	43,726	3,726
Miscellaneous	1,728,083	1,728,083	2,256,605	528,522
Transfers in	557,941	557,941	557,941	-
Use of free cash	2,347,886	2,347,886	2,347,886	-
Use of designated fund balance	44,132	44,132	44,132	-
<b>Total Revenues and Other Sources</b>	<b>90,979,352</b>	<b>90,979,352</b>	<b>91,825,940</b>	<b>846,588</b>
<b>Expenditures and Other Uses:</b>				
General government	4,645,589	4,485,611	4,189,444	296,167
Public safety	8,111,566	8,232,260	8,083,845	148,415
Education	48,365,751	48,365,751	48,031,630	334,121
Public works	4,362,511	4,363,011	4,632,919	(269,908)
Health and human services	911,123	940,907	932,567	8,340
Culture and recreation	1,834,178	1,843,178	1,784,136	59,042
Debt service	7,460,456	7,460,456	7,405,064	55,392
Intergovernmental	398,158	398,158	393,072	5,086
Employee benefits	13,544,015	13,544,015	12,277,159	1,266,856
Transfers out	1,099,808	1,099,808	1,099,808	-
Other uses-snow and ice deficit raised	246,197	246,197	246,197	-
<b>Total Expenditures and Other Uses</b>	<b>90,979,352</b>	<b>90,979,352</b>	<b>89,075,841</b>	<b>1,903,511</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,750,099	\$ 2,750,099

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

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities Enterprise Fund			
	Water <u>Fund</u>	Ambulance <u>Fund</u>	Recreation <u>Fund</u>	Total <u>Fund</u>
<b>ASSETS</b>				
Current:				
Cash and short-term investments	\$ 5,594,755	\$ 333,580	\$ 291,376	\$ 6,219,711
User fees, net of allowance for uncollectibles	843,544	395,432	-	1,238,976
Due from other governments	<u>47,374</u>	<u>-</u>	<u>-</u>	<u>47,374</u>
Total current assets	6,485,673	729,012	291,376	7,506,061
Noncurrent:				
Capital Assets:				
Land and construction in progress	2,115,683	-	274,747	2,390,430
Other capital assets, net of accumulated depreciation	<u>41,093,218</u>	<u>352,947</u>	<u>491,687</u>	<u>41,937,852</u>
Total noncurrent assets	<u>43,208,901</u>	<u>352,947</u>	<u>766,434</u>	<u>44,328,282</u>
<b>TOTAL ASSETS</b>	49,694,574	1,081,959	1,057,810	51,834,343
<b>LIABILITIES</b>				
Current:				
Warrants payable	137,455	16,638	27,398	181,491
Accrued liabilities	68,715	149	-	68,864
Current portion of long-term liabilities:				
Bonds payable	967,137	45,000	-	1,012,137
Compensated absences	<u>4,331</u>	<u>1,543</u>	<u>2,006</u>	<u>7,880</u>
Total current liabilities	1,177,638	63,330	29,404	1,270,372
Noncurrent:				
Bonds payable, net of current portion	11,908,770	180,000	-	12,088,770
Compensated absences	82,295	29,314	38,113	149,722
Accrued other post employment benefits	<u>343,690</u>	<u>68,303</u>	<u>274,820</u>	<u>686,813</u>
Total noncurrent liabilities	<u>12,334,755</u>	<u>277,617</u>	<u>312,933</u>	<u>12,925,305</u>
<b>TOTAL LIABILITIES</b>	13,512,393	340,947	342,337	14,195,677
<b>NET POSITION</b>				
Net investment in capital assets	30,141,968	130,226	766,434	31,038,628
Unrestricted	<u>6,040,213</u>	<u>610,786</u>	<u>(50,961)</u>	<u>6,600,038</u>
<b>TOTAL NET POSITION</b>	<u>\$ 36,182,181</u>	<u>\$ 741,012</u>	<u>\$ 715,473</u>	<u>\$ 37,638,666</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Fund			Total Fund
	Water Fund	Ambulance Fund	Recreation Fund	
<b>Operating Revenues:</b>				
Charges for services	\$ 4,238,517	\$ 773,733	\$ 1,139,073	\$ 6,151,323
Other	72,091	123	-	72,214
Total Operating Revenues	4,310,608	773,856	1,139,073	6,223,537
<b>Operating Expenses:</b>				
Operating expenses	2,277,989	936,587	1,147,341	4,361,917
Depreciation	1,274,988	36,539	83,428	1,394,955
Employee benefits	73,354	23,049	86,198	182,601
Total Operating Expenses	3,626,331	996,175	1,316,967	5,939,473
Operating Income (Loss)	684,277	(222,319)	(177,894)	284,064
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	6,779	1,495	602	8,876
Interest expense	(67,846)	(149)	-	(67,995)
Total Nonoperating Revenues (Expenses), Net	(61,067)	1,346	602	(59,119)
Net Income or Loss Before Transfers	623,210	(220,973)	(177,292)	224,945
<b>Transfers:</b>				
Transfers In	64,806	346,214	157,066	568,086
Change in Net Position	688,016	125,241	(20,226)	793,031
Net Position at Beginning of Year	35,494,165	615,771	735,699	36,845,635
Net Position at End of Year	\$ 36,182,181	\$ 741,012	\$ 715,473	\$ 37,638,666

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

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Ambulance Fund	Recreation Fund	
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 4,315,161	\$ 696,193	\$ 1,139,073	\$ 6,150,427
Payments to vendors and employees	<u>(2,326,344)</u>	<u>(953,968)</u>	<u>(1,153,991)</u>	<u>(4,434,303)</u>
Net Cash Provided By (Used For) Operating Activities	1,988,817	(257,775)	(14,918)	1,716,124
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Acquisition, construction, and disposition of capital assets	(1,534,304)	(240,811)	-	(1,775,115)
Acquisition of bonds and notes	-	225,000	-	225,000
Payments of bond anticipation notes	(1,500,000)	-	-	(1,500,000)
Bond anticipation note proceeds	1,197,111	-	-	1,197,111
Interest expense	<u>(67,846)</u>	<u>(149)</u>	<u>-</u>	<u>(67,995)</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,905,039)	(15,960)	-	(1,920,999)
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
Transfers in	<u>64,806</u>	<u>346,214</u>	<u>157,066</u>	<u>568,086</u>
Net Cash Provided By Noncapital Financing Activities	64,806	346,214	157,066	568,086
<b><u>Cash Flows From Investing Activities:</u></b>				
Investment income	<u>6,779</u>	<u>1,495</u>	<u>602</u>	<u>8,876</u>
Net Cash Provided By Investing Activities	<u>6,779</u>	<u>1,495</u>	<u>602</u>	<u>8,876</u>
Net Change in Cash and Short-Term Investments	155,363	73,974	142,750	372,087
Cash and Short-Term Investments, Beginning of Year	<u>5,439,392</u>	<u>259,606</u>	<u>148,626</u>	<u>5,847,624</u>
Cash and Short-Term Investments, End of Year	<u>\$ 5,594,755</u>	<u>\$ 333,580</u>	<u>\$ 291,376</u>	<u>\$ 6,219,711</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u></b>				
Operating income (loss)	\$ 684,277	\$ (222,319)	\$ (177,894)	\$ 284,064
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,274,988	36,539	83,428	1,394,955
Changes in assets and liabilities:				
Receivables	4,553	(77,663)	-	(73,110)
Warrants payable	(9,558)	(25,701)	(10,582)	(45,841)
Other liabilities	(37,325)	-	-	(37,325)
Compensated absences	(205)	8,320	3,932	12,047
Accrued other post employment benefits	73,354	23,049	86,198	182,601
Accrued liabilities	<u>(1,267)</u>	<u>-</u>	<u>-</u>	<u>(1,267)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 1,988,817</u>	<u>\$ (257,775)</u>	<u>\$ (14,918)</u>	<u>\$ 1,716,124</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	<u>Agency Funds</u>	<u>Other Post-Employment Benefits Trust Fund</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ 1,225,868	\$ -
Investments	<u>-</u>	<u>103,655</u>
Total Assets	1,321,516	103,655
<b><u>LIABILITIES AND NET POSITION</u></b>		
Warrants payable	43,775	-
Escrow deposits	<u>1,277,741</u>	<u>-</u>
Total Liabilities	<u>1,321,516</u>	<u>-</u>
<b><u>NET POSITION</u></b>		
Total net position held in trust	\$ <u><u>-</u></u>	\$ <u><u>103,655</u></u>

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

TOWN OF WESTFORD, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2013

	Other Post-Employment Benefits Trust <u>Fund</u>
<b>Additions:</b>	
Interest income	\$ 3,420
Transfers in	<u>50,000</u>
Total additions	53,420
<b>Net position:</b>	
Beginning of year	<u>50,235</u>
End of year	<u><u>\$ 103,655</u></u>

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

# TOWN OF WESTFORD, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Westford (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2013, it was determined that no entities met the required GASB 39 criteria of component units.

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

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

##### Fund Financial Statements

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

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and

services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- Water operations
- Ambulance operations
- Recreation operations

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at market value.

#### F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy

limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2013 tax levy reflected an excess capacity of \$56,240.

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

**H. Compensated Absences**

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**I. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obliga-

tions are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

*J. Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through

the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

*K. Use of Estimates*

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

**2. Stewardship, Compliance, and Accountability**

*A. Budgetary Information*

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

**B. Budgetary Basis**

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

**C. Budget/GAAP Reconciliation**

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 95,664,696	\$ 95,510,356
Other financing sources/uses (GAAP basis)	<u>901,941</u>	<u>1,343,086</u>
Subtotal (GAAP Basis)	96,566,637	96,853,442
Adjust tax revenue to accrual basis	(229,890)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,916,680)
Add end-of-year appropriation carryforwards from expenditures	-	1,833,482
To record use of free cash	2,347,886	-
To record raising of prior year's snow and ice	-	246,197
To record use of designated fund balance	44,132	-
To remove unbudgeted stabilization fund	(347,689)	(178,471)
To reverse the effect of non-budgeted State contributions for teachers retirement	(7,611,608)	(7,611,608)
Other reclassifications	1,056,472	-
Other timing issues	<u>-</u>	<u>(150,521)</u>
Budgetary basis	<u>\$ 91,825,940</u>	<u>\$ 89,075,841</u>

*D. Excess of Expenditures Over Appropriations*

Expenditures exceeding appropriations during the current fiscal year were as follows:

Snow and ice deficit \$(370,044)

*E. Deficit Fund Equity*

The following funds had deficits as of June 30, 2013:

Water-Fluoride Equipment FY13	\$ (6,211)
BOH-EMPG MRC	(15,362)
Police - Pedestrian Grant FY13	(419)
Police - Traffic Grant FY13	(992)
BOH-FDA Standards	(185)
Sped 94-142 DOE 240 FY13	(5,555)
Sped Prog Impr DOE 274 FY13	(7,814)
Police 911 Support-FY13	(38,695)
Police 911 Training FY12	(2,287)
Police 911 Training FY13	(5,850)
Police 911 Support-FY12	(598)
MIIA Loss-Trailer	(1,450)
MIIA Loss-Safety	(2,236)
Chapter 90	<u>(4,970)</u>
Total	\$ <u><u>(92,624)</u></u>

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

**3. Cash and Short-Term Investments**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by

such bank or trust company or banking company for such excess.” The Town and does not have a deposit policy for custodial credit risk.

As of June 30, 2013, \$20,717,585 of the Town’s bank balances of \$26,919,192 was exposed to custodial credit risk as uninsured or uncollateralized.

#### 4. Investments

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town’s investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town (in thousand). (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>Aaa</u>	<u>Aa</u>	<u>Bbb</u>
U.S. Treasury notes	\$ 14,535	N/A	\$ -	\$ 14,535	\$ -	\$ -
Certificates of deposits	2,917		-	2,917	-	-
Corporate bonds	1,429		-	-	618	811
Corporate equities	813	N/A	813	-	-	-
Mutual funds	2,712	N/A	2,712	-	-	-
Federal agency securities	<u>1,289</u>		<u>-</u>	<u>1,289</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 23,695</u>		<u>\$ 3,525</u>	<u>\$ 18,741</u>	<u>\$ 618</u>	<u>\$ 811</u>

##### B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

The government has a custodial credit risk exposure of \$23,591,313 because the related securities are uninsured, unregistered and held by the Town’s brokerage firm, which is also the Counterparty to these securities.

**C. Concentration of Credit Risk**

The Town does not have an investment in one issuer greater than 5% of total investments.

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>N/A</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Debt Related Securities:						
U.S. Treasury notes	\$ 14,535	\$ 1,105	\$ 5,902	\$ 7,527	\$ -	\$ -
Certificates of deposit	2,917	798	2,119	-	-	-
Corporate bonds	1,429	155	1,274	-	-	-
Corporate equities	813	-	-	-	-	813
Mutual funds	2,712	-	-	-	-	2,712
Federal agency securities	1,289	-	1,055	175	60	-
Total	<u>\$ 23,695</u>	<u>\$ 2,058</u>	<u>\$ 10,350</u>	<u>\$ 7,702</u>	<u>\$ 60</u>	<u>\$ 3,525</u>

**E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

**5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2013 consist of the following (in thousands):

Real Estate		
2013	\$ 396	
2012	<u>6</u>	
		402
Personal Property		
2013	12	
2012	7	
2011	<u>5</u>	
		24
Tax Liens		<u>516</u>
Total		<u>\$ 942</u>

## 6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 111	\$ -
Excises	\$ 28	\$ -
Utilities	\$ -	\$ 25
Other	\$ -	\$ 137

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 142,584	\$ 176	\$ -	\$ 142,760
Machinery, equipment, and furnishings	29,411	1,107	(139)	30,379
Infrastructure	128,154	1,537	-	129,691
	<u>300,149</u>	<u>2,820</u>	<u>(139)</u>	<u>302,830</u>
Total capital assets, being depreciated	300,149	2,820	(139)	302,830
Less accumulated depreciation for:				
Buildings and improvements	(43,217)	(3,346)	-	(46,563)
Machinery, equipment, and furnishings	(12,095)	(1,429)	139	(13,385)
Infrastructure	(42,889)	(3,167)	-	(46,056)
	<u>(98,201)</u>	<u>(7,942)</u>	<u>139</u>	<u>(106,004)</u>
Total accumulated depreciation	(98,201)	(7,942)	139	(106,004)
Total capital assets, being depreciated, net	201,948	(5,122)	-	196,826
Capital assets, not being depreciated:				
Land	31,014	-	-	31,014
Construction in progress	7,578	-	(1,037)	6,541
	<u>38,592</u>	<u>-</u>	<u>(1,037)</u>	<u>37,555</u>
Total capital assets, not being depreciated	38,592	-	(1,037)	37,555
Governmental activities capital assets, net	<u>\$ 240,540</u>	<u>\$ (5,122)</u>	<u>\$ (1,037)</u>	<u>\$ 234,381</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,739	\$ -	\$ -	\$ 16,739
Machinery, equipment, and furnishings	2,013	364	-	2,377
Infrastructure	38,879	1,606	-	40,485
	<u>57,631</u>	<u>1,970</u>	<u>-</u>	<u>59,601</u>
Total capital assets, being depreciated	57,631	1,970	-	59,601
Less accumulated depreciation for:				
Buildings and improvements	(4,848)	(708)	-	(5,556)
Machinery, equipment, and furnishings	(1,403)	(97)	-	(1,500)
Infrastructure	(10,017)	(590)	-	(10,607)
	<u>(16,268)</u>	<u>(1,395)</u>	<u>-</u>	<u>(17,663)</u>
Total accumulated depreciation	(16,268)	(1,395)	-	(17,663)
Total capital assets, being depreciated, net	41,363	575	-	41,938
Capital assets, not being depreciated:				
Land	2,390	-	-	2,390
Construction in progress	195	-	(195)	-
	<u>2,585</u>	<u>-</u>	<u>(195)</u>	<u>2,390</u>
Total capital assets, not being depreciated	2,585	-	(195)	2,390
Business-type activities capital assets, net	<u>\$ 43,948</u>	<u>\$ 575</u>	<u>\$ (195)</u>	<u>\$ 44,328</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 94
Public safety	416
Education	3,699
Public works	3,526
Culture and recreation	147
Health and Human Services	<u>60</u>
Total depreciation expense - governmental activities	<u>\$ 7,942</u>
Business-Type Activities:	
Water	\$ 1,275
Ambulance	37
Recreation	<u>83</u>
Total depreciation expense - business-type activities	<u>\$ 1,395</u>

**9. Warrants Payable**

Warrants payable represent 2013 expenditures paid by July 15, 2013.

**10. Tax Refunds Payable**

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

**11. Anticipation Notes Payable**

The following summarizes activity in notes payable during fiscal year 2013:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation note	\$ <u>2,425,000</u>	\$ <u>1,672,500</u>	\$ <u>(4,097,500)</u>	\$ -
Total	\$ <u>2,425,000</u>	\$ <u>1,672,500</u>	\$ <u>(4,097,500)</u>	\$ -

## 12. Long-Term Debt

### A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/13</u>
Fire station construction	12/15/13	4.17%	\$ 105,000
Classroom construction Day/Abbott	12/15/13	4.19%	55,000
Land acquisition Drew Farms	12/15/13	4.17%	10,000
Title V	08/01/19	0.00%	28,244
Elementary school construction	06/01/22	4.14%	11,305,000
Elementary school construction	12/01/22	4.49%	1,555,000
Middle school construction	06/01/22	4.14%	10,775,000
Middle school construction	12/01/22	4.49%	1,480,000
Highway garage	06/01/18	3.68%	250,000
Highway garage construction	04/15/24	3.0 - 4.625%	5,240,000
School bid repair (Abbott windows)	04/15/14	3.0 - 3.875%	100,000
School - Abbott septic	04/15/14	3.0 - 3.875%	40,000
East Boston camps CPA	04/01/19	4.0 - 5.5%	4,135,000
Academy refunding	06/30/20	4.00%	7,970,000
Academy refunding 2	04/01/18	3.01%	1,315,000
Modular classroom refunding	04/01/18	3.01%	385,000
Town Hall	04/15/10	3.68%	2,010,000
Senior center	11/15/09	3.47%	3,400,000
Elevator 2013	06/01/23	1.40%	450,000
Sweeper 2013	06/01/18	0.88%	202,500
Police Communications 2013	06/01/22	1.29%	180,000
Boiler 2013	06/01/22	1.29%	90,000
Sewer Refunding 2013	06/01/19	0.96%	585,000
Highway Refunding 2013	06/01/16	0.77%	240,000
Total Governmental Activities:			<u>\$ 51,905,744</u>

<u>Business-Type Activities:</u>	Serial	Interest	Amount
<u>Water Enterprise</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
	<u>Through</u>		<u>as of</u>
			<u>6/30/13</u>
Filtration plant - MWPAT	02/01/21	1.11%	\$ 1,100,000
MWPAT	08/01/22	1.13%	6,685,000
Water bonds	09/15/23	3.60%	381,000
Water bonds	09/15/23	3.60%	319,000
Water bonds	04/01/18	3.01%	365,000
MWPAT DW 08-16	07/15/30	2.00%	251,424
MWPAT DW 09-07	07/15/30	2.00%	1,724,483
2013 Water Bond	06/01/33	2.36%	1,500,000
2013 Water Bond	06/01/33	2.36%	<u>550,000</u>
Total Water:			<u>12,875,907</u>
<u>Business-Type Activities:</u>			
<u>Ambulance Enterprise</u>			
Ambulance 2013	06/01/18	0.88%	<u>225,000</u>
Total Business-Type Activities:			<u>\$ 13,100,907</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,711,587	\$ 2,115,846	\$ 7,827,433
2015	5,419,087	1,928,011	7,347,098
2016	5,479,014	1,719,022	7,198,036
2017	5,504,014	1,503,154	7,007,168
2018	5,609,014	1,292,032	6,901,046
2019 - 2023	21,843,028	3,099,951	24,942,979
2024 - 2028	1,740,000	290,801	2,030,801
Thereafter	<u>600,000</u>	<u>28,250</u>	<u>628,250</u>
Total	<u>\$ 51,905,744</u>	<u>\$ 11,977,067</u>	<u>\$ 63,882,811</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2013:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,012,137	\$ 242,738	\$ 1,254,875
2015	1,048,996	222,996	1,271,992
2016	1,150,891	201,862	1,352,753
2017	1,177,827	179,607	1,357,434
2018	1,204,800	156,692	1,361,492
2019 - 2023	5,350,025	468,208	5,818,233
2024 - 2028	1,170,689	200,108	1,370,797
Thereafter	<u>985,542</u>	<u>67,167</u>	<u>1,052,709</u>
Total	\$ <u>13,100,907</u>	\$ <u>1,739,378</u>	\$ <u>14,840,285</u>

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

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

	Total Balance <u>7/1/12</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/13</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/13</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 56,762	\$ 923	\$ (5,779)	\$ 51,906	\$ 5,712	\$ 46,194
Other:						
Compensated absences	1,378	51	-	1,429	71	1,358
Bond premium	168	-	(27)	141	24	117
Accrued other post-employment benefits	<u>17,002</u>	<u>6,325</u>	<u>-</u>	<u>23,327</u>	<u>-</u>	<u>23,327</u>
Totals	\$ <u>75,310</u>	\$ <u>7,299</u>	\$ <u>(5,806)</u>	\$ <u>76,803</u>	\$ <u>5,807</u>	\$ <u>70,996</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 11,679	\$ 2,275	\$ (853)	\$ 13,101	\$ 1,012	\$ 12,089
Other:						
Compensated absences	145	13	-	158	8	150
Accrued other post-employment benefits	<u>504</u>	<u>183</u>	<u>-</u>	<u>687</u>	<u>-</u>	<u>687</u>
Totals	\$ <u>12,328</u>	\$ <u>2,471</u>	\$ <u>(853)</u>	\$ <u>13,946</u>	\$ <u>1,020</u>	\$ <u>12,926</u>

**13. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2013:

	<u>General Fund</u>	<u>Nonmajor</u>
Deferred revenue	\$ 1,429,373	\$ 17,904

#### **14. Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

#### **15. Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2013:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level

of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization funds and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2013:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 572,200	\$ 572,200
Total Nonspendable	-	572,200	572,200
Restricted			
Reserve for debt service	13,724,728	-	13,724,728
Capital project funds	-	480,563	480,563
Special revenue funds	-	3,209,660	3,209,660
Expendable permanent funds	-	2,051,300	2,051,300
Total Restricted	13,724,728	5,741,523	19,466,251
Committed			
Reserve for continuing appropriations	697,439	-	697,439
Community preservation act funds	-	3,463,356	3,463,356
Perchlorate stabilization	85,045	-	85,045
Total Committed	782,484	3,463,356	4,245,840
Assigned			
Reserved for encumbrances	1,108,377	-	1,108,377
Reserved for expenditures	648,164	-	648,164
Total Assigned	1,756,541	-	1,756,541
Unassigned			
General fund	7,341,858	(92,624)	7,249,234
General stabilization	3,598,995	-	3,598,995
Total Unassigned	10,940,853	(92,624)	10,848,229
Total Fund Balances	\$ 27,204,606	\$ 9,684,455	\$ 36,889,061

**16. General Fund Unassigned Fund Balance**

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to overexpend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such overexpenditures, however, must be funded in the subsequent year’s tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 10,940,853
Stabilization	(3,598,995)
Tax refund estimate	<u>1,485,000</u>
Statutory (UMAS) Balance	<u>\$ 8,826,858</u>

**17. Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town’s management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

## 18. Post-Employment Healthcare and Life Insurance Benefits

### Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

#### A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2012, the actuarial valuation date, approximately 272 retirees and 945 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

#### B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

#### C. Funding Policy

Retirees contribute 40% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

#### D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the

plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2012.

Annual Required Contribution (ARC)	\$ 6,688,482
Interest on net OPEB obligation	748,257
Adjustment to ARC	<u>1,100,061</u>
Annual OPEB cost	8,536,800
Contributions made	<u>(2,029,137)</u>
Increase in net OPEB obligation	6,507,663
Net OPEB obligation - beginning of year	<u>17,506,416</u>
Net OPEB obligation - end of year	<u>\$ 24,014,079</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 8,536,800	24%	\$ 24,014,079
2012	\$ 5,935,894	34%	\$ 17,506,416
2011	\$ 5,841,336	34%	\$ 13,728,175

The Town's net OPEB obligation as of June 30, 2013 is recorded as a component of the "other long-term liabilities" line item.

*E. Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 72,027,785
Actuarial value of plan assets	<u>(102,122)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 71,925,663</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.1%</u>
Covered payroll (active plan members)	<u>\$ 49,820,433</u>
UAAL as a percentage of covered payroll	<u>144%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined

regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

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

In the July 1, 2012 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 11%, which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

**19. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Middlesex County Retirement System.

*A. Plan Description*

The Town contributes to the Middlesex County Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the

authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Middlesex County Retirement System at 25 Linnell Circle, P.O. Box 160, Billerica, MA 01865.

*B. Funding Policy*

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2013, 2012, and 2011 were \$3,228,539, \$3,030,843, and \$2,666,208, respectively, which were equal to its annual required contributions for each of these years.

*C. Teachers*

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

\*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$30,000.

In fiscal year 2013, the Commonwealth of Massachusetts contributed \$7,611,608 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

**20. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**21. Implementation of New GASB Standards**

The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Middlesex County Retirement System's actuarially accrued liability.

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

**June 30, 2013  
(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/12	\$ 102,122	\$ 72,027,785	\$ 71,925,663	0.1%	\$ 49,820,433	144.4%
7/1/2010	\$ -	\$ 67,054,824	\$ 67,054,824	0.0%	\$ 48,923,957	137.1%
07/01/08	\$ -	\$ 55,489,005	\$ 55,489,005	0.0%	\$ 46,875,061	118.4%

**MIDDLESEX COUNTY RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)**

**Employees' Retirement System  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/12	\$ 862,323,395	\$ 1,974,144,909	\$ 1,111,821,514	43.7%	\$ 393,100,995	282.8%
01/01/10	\$ 819,987,914	\$ 1,743,581,707	\$ 923,593,793	47.0%	\$ 384,933,571	239.9%
01/01/08	\$ 774,863,669	\$ 1,529,806,307	\$ 754,942,638	50.7%	\$ 360,206,302	209.6%
01/01/06	\$ 653,156,866	\$ 1,223,828,127	\$ 570,671,261	53.4%	\$ 330,999,861	172.4%
01/01/04	\$ 599,699,143	\$ 1,020,828,178	\$ 421,129,035	58.7%	\$ 306,025,949	137.6%

**Employees' Retirement System  
Schedule of Employer Contributions**

Plan Year End	System Wide			Town of Westford	
	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of Actual Contributions
12/31/12	\$ 81,701,259	\$ 81,701,259	100%	\$ 3,030,843	7.2%
12/31/11	\$ 78,100,353	\$ 78,100,353	100%	\$ 2,666,208	7.2%
12/31/10	\$ 74,126,190	\$ 74,126,190	100%	\$ 2,562,317	7.5%

See Independent Auditors' Report.