

TOWN OF WESTFORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2014

Town of Westford, Massachusetts

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
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
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress	48

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Westford, Massachusetts

Additional Offices:

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westford, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

November 19, 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, 2014.

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$231,245,418 (i.e., net position), a change of \$(2,121,519) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$38,231,924, a change of \$1,342,863 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,877,171, a change of \$(63,682) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$58,240,817, a change of \$(6,765,834) 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 45,312	\$ 43,667	\$ 8,652	\$ 7,506	\$ 53,964	\$ 51,173
Capital assets	<u>230,393</u>	<u>234,381</u>	<u>43,223</u>	<u>44,328</u>	<u>273,616</u>	<u>278,709</u>
Total assets	275,705	278,048	51,875	51,834	327,580	329,882
Long-term liabilities outstanding	71,141	70,996	12,010	12,926	83,151	83,922
Other liabilities	<u>11,462</u>	<u>11,324</u>	<u>1,722</u>	<u>1,270</u>	<u>13,184</u>	<u>12,594</u>
Total liabilities	82,603	82,320	13,732	14,196	96,335	96,516
Net position:						
Net investment in capital assets	183,716	182,951	31,187	31,039	214,903	213,990
Restricted	6,289	5,745	-	-	6,289	5,745
Unrestricted	<u>3,097</u>	<u>7,032</u>	<u>6,956</u>	<u>6,600</u>	<u>10,053</u>	<u>13,632</u>
Total net position	<u>\$ 193,102</u>	<u>\$ 195,728</u>	<u>\$ 38,143</u>	<u>\$ 37,639</u>	<u>\$ 231,245</u>	<u>\$ 233,367</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,894	\$ 5,597	\$ 6,402	\$ 6,151	\$ 12,296	\$ 11,748
Operating grants and contributions	30,377	28,508	-	-	30,377	28,508
Capital grants and contributions	1,079	831	-	-	1,079	831
General revenues:						
Property taxes	65,632	63,197	-	-	65,632	63,197
Excises	3,254	3,031	-	-	3,254	3,031
Penalties and interest on taxes	1,366	1,153	-	-	1,366	1,153
Grants and contributions not restricted to specific programs	1,962	1,907	-	-	1,962	1,907
Intergovernmental	-	-	241	-	241	-
Investment income	458	58	8	9	466	67
Other	1,596	1,698	72	72	1,668	1,770
Total revenues	<u>111,618</u>	<u>105,980</u>	<u>6,723</u>	<u>6,232</u>	<u>118,341</u>	<u>112,212</u>
Expenses:						
General government	5,943	6,197	-	-	5,943	6,197
Public safety	8,582	8,378	-	-	8,582	8,378
Education	68,623	68,897	-	-	68,623	68,897
Public works	8,485	8,699	-	-	8,485	8,699
Health and human services	1,505	1,391	-	-	1,505	1,391
Culture and recreation	2,120	2,005	-	-	2,120	2,005
Employee benefits	16,528	14,836	-	-	16,528	14,836
Interest on long-term debt	1,292	1,578	-	-	1,292	1,578
Intergovernmental	431	393	-	-	431	393
Water operations	-	-	4,370	3,694	4,370	3,694
Ambulance operations	-	-	1,129	996	1,129	996
Recreation operations	-	-	1,355	1,317	1,355	1,317
Total expenses	<u>113,509</u>	<u>112,374</u>	<u>6,854</u>	<u>6,007</u>	<u>120,363</u>	<u>118,381</u>
Change in net position before transfers	(1,891)	(6,394)	(131)	225	(2,022)	(6,169)
Permanent fund contributions	-	45	-	-	-	45
Transfers in (out)	<u>(735)</u>	<u>(618)</u>	<u>635</u>	<u>568</u>	<u>(100)</u>	<u>(50)</u>
Change in net position	(2,626)	(6,967)	504	793	(2,122)	(6,174)
Net position - beginning 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>
Net position - end of year	<u>\$ 193,102</u>	<u>\$ 195,728</u>	<u>\$ 38,143</u>	<u>\$ 37,639</u>	<u>\$ 231,245</u>	<u>\$ 233,367</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 \$231,245,418, a change of \$(2,121,519) from the prior year.

The largest portion of net position \$214,902,186 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 \$6,289,951 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$10,053,281 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 \$(2,625,861). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 534,106
Community preservation surplus - accrual basis	(344,466)
Nonmajor fund surplus - accrual basis	1,688,159
Depreciation expense in excess of principal debt service	(2,269,617)
Accrued other post employment benefits	(5,580,009)
Other	<u>3,345,966</u>
Total	<u>\$ (2,625,861)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$504,342. Key elements of this change are as follows:

Water enterprise	\$ 363,580
Ambulance enterprise	241,950
Recreation enterprise	<u>(101,188)</u>
Total	<u>\$ 504,342</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 \$38,231,924, a change of \$1,342,863 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$	534,106
Community preservation		1,223,223
Nonmajor funds		<u>(414,466)</u>
Total	\$	<u><u>1,342,863</u></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 \$10,877,171, while total fund balance was \$27,738,712. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance*	\$ 10,877,171	\$ 10,940,853	\$ (63,682)	11.0%
Total fund balance	\$ 27,738,712	\$ 27,204,606	\$ 534,106	28.1%

*These figures include the general stabilization fund

The total fund balance of the general fund changed by \$534,106 during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$	929,272
Budgetary appropriation turnbacks		3,158,231
Shortfall of tax collections		(53,324)
Excess of current year encumbrances, net of prior year encumbrances		1,922,862
Use of free cash and overlay surplus		(6,458,639)
Use of designated fund balance		(32,794)
Change in stabilization		1,518,950
Raising of prior year snow and ice deficit		370,044
Other reclassifications		(1,105,174)
Other timing issues		<u>284,678</u>
Total	\$	<u><u>534,106</u></u>

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

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
General stabilization	\$ 4,690,053	\$ 3,598,995	\$ 1,091,058
Health stabilization	512,937	-	512,937
Perchlorate stabilization	<u>-</u>	<u>85,045</u>	<u>(85,045)</u>
Total	<u>\$ 5,202,990</u>	<u>\$ 3,684,040</u>	<u>\$ 1,518,950</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 \$6,956,422, a change of \$356,384 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 \$273,616,527 (net of accumulated depreciation), a change of \$(5,092,788) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

Chapter 90	\$1,078,640
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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 \$58,240,817, 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, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 18,274,027	\$ 7,419,706	\$ 25,693,733
Investments	25,232,452	-	25,232,452
Receivables, net of allowance for uncollectibles:			
Property taxes	635,082	-	635,082
Excises	144,436	-	144,436
Departmental and other	331,245	-	331,245
User fees	-	1,232,048	1,232,048
Other assets	75,835	-	75,835
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	494,175	-	494,175
Other assets	125,000	-	125,000
Capital assets			
Land and construction in progress	37,863,411	2,409,930	40,273,341
Other capital assets, net of accumulated depreciation	<u>192,529,664</u>	<u>40,813,522</u>	<u>233,343,186</u>
TOTAL ASSETS	275,705,327	51,875,206	327,580,533
LIABILITIES			
Current:			
Warrants payable	1,328,466	215,764	1,544,230
Accrued liabilities	921,997	78,429	1,000,426
Notes payable	1,117,792	375,000	1,492,792
Tax refunds payable	1,610,000	-	1,610,000
Other current liabilities	970,515	-	970,515
Current portion of long-term liabilities:			
Bonds payable	5,419,087	1,046,922	6,466,009
Compensated absences	71,769	7,134	78,903
Bond premium	22,061	-	22,061
Noncurrent:			
Bonds payable, net of current portion	40,775,070	10,999,738	51,774,808
Compensated absences, net of current portion	1,363,603	135,555	1,499,158
Bond premium, net of current portion	95,282	-	95,282
Accrued other post employment benefits	<u>28,907,275</u>	<u>873,656</u>	<u>29,780,931</u>
TOTAL LIABILITIES	82,602,917	13,732,198	96,335,115
NET POSITION			
Net investment in capital assets	183,715,600	31,186,586	214,902,186
Restricted for:			
State and federal grants	3,615,091	-	3,615,091
Permanent funds:			
Nonexpendable	619,138	-	619,138
Expendable	2,055,722	-	2,055,722
Unrestricted	<u>3,096,859</u>	<u>6,956,422</u>	<u>10,053,281</u>
TOTAL NET POSITION	\$ <u>193,102,410</u>	\$ <u>38,143,008</u>	\$ <u>231,245,418</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 5,943,096	\$ 378,307	\$ 913,941	\$ -	\$ (4,650,848)	\$ -	\$ (4,650,848)
Public safety	8,582,496	1,180,343	69,612	-	(7,332,541)	-	(7,332,541)
Education	68,622,831	3,638,520	29,018,787	-	(35,965,524)	-	(35,965,524)
Public works	8,484,942	97,123	-	1,079,008	(7,308,811)	-	(7,308,811)
Health and human services	1,504,624	284,748	305,954	-	(913,922)	-	(913,922)
Culture and recreation	2,119,729	315,168	68,773	-	(1,735,788)	-	(1,735,788)
Employee benefits	16,527,838	-	-	-	(16,527,838)	-	(16,527,838)
Interest	1,292,569	-	-	-	(1,292,569)	-	(1,292,569)
Intergovernmental	430,940	-	-	-	(430,940)	-	(430,940)
Total Governmental Activities	113,509,065	5,894,209	30,377,067	1,079,008	(76,158,781)	-	(76,158,781)
Business-Type Activities:							
Water services	4,369,764	4,349,176	-	-	-	(20,588)	(20,588)
Ambulance	1,128,741	916,323	-	-	-	(212,418)	(212,418)
Recreation	1,355,454	1,136,605	-	-	-	(218,849)	(218,849)
Total Business-Type Activities	6,853,959	6,402,104	-	-	-	(451,855)	(451,855)
Total	\$ 120,363,024	\$ 12,296,313	\$ 30,377,067	\$ 1,079,008	(76,158,781)	(451,855)	(76,610,636)
General Revenues, Contributions, and Transfers:							
Property taxes					65,632,337	-	65,632,337
Excises					3,254,428	-	3,254,428
Penalties, interest and other taxes					1,365,869	-	1,365,869
Grants and contributions not restricted to specific programs					1,961,916	-	1,961,916
Intergovernmental revenue					-	240,535	240,535
Investment income					458,097	8,042	466,139
Miscellaneous					1,595,477	72,416	1,667,893
Transfers (net)					(735,204)	635,204	(100,000)
Total general revenues, contributions, and transfers					73,532,920	956,197	74,489,117
Change in Net Position					(2,625,861)	504,342	(2,121,519)
Net Position:							
Beginning of year					195,728,271	37,638,666	233,366,937
End of year					\$ 193,102,410	\$ 38,143,008	\$ 231,245,418

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

TOWN OF WESTFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	General Fund	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 14,036,835	\$ -	\$ 4,237,192	\$ 18,274,027
Investments	17,717,345	4,699,507	2,815,600	25,232,452
Receivables:				
Property taxes	1,265,889	25,857	-	1,291,746
Excises	161,181	-	-	161,181
Departmental and other	<u>296,822</u>	<u>-</u>	<u>18,156</u>	<u>314,978</u>
TOTAL ASSETS	<u>\$ 33,478,072</u>	<u>\$ 4,725,364</u>	<u>\$ 7,070,948</u>	<u>\$ 45,274,384</u>
LIABILITIES				
Warrants payable	\$ 1,187,171	\$ 12,928	\$ 128,367	\$ 1,328,466
Accrued liabilities	638,085	-	-	638,085
Notes payable	-	-	1,117,792	1,117,792
Tax refunds payable	1,610,000	-	-	1,610,000
Other liabilities	<u>970,515</u>	<u>-</u>	<u>-</u>	<u>970,515</u>
TOTAL LIABILITIES	4,405,771	12,928	1,246,159	5,664,858
DEFERRED INFLOWS OF RESOURCES	1,333,589	25,857	18,156	1,377,602
FUND BALANCES				
Nonspendable	-	-	619,138	619,138
Restricted	12,586,760	-	6,141,071	18,727,831
Committed	2,716,393	4,686,579	-	7,402,972
Assigned	1,558,388	-	-	1,558,388
Unassigned	<u>10,877,171</u>	<u>-</u>	<u>(953,576)</u>	<u>9,923,595</u>
TOTAL FUND BALANCES	<u>27,738,712</u>	<u>4,686,579</u>	<u>5,806,633</u>	<u>38,231,924</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 33,478,072</u>	<u>\$ 4,725,364</u>	<u>\$ 7,070,948</u>	<u>\$ 45,274,384</u>

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, 2014

Total governmental fund balances	\$ 38,231,924
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	230,393,075
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,214,635
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(283,912)
• 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>(76,453,312)</u>
Net position of governmental activities	<u><u>\$ 193,102,410</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, 2014

	General Fund	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 64,229,695	\$ 1,456,660	\$ -	\$ 65,686,355
Excises	3,359,008	-	-	3,359,008
Penalties, interest and other taxes	1,226,136	2,915	-	1,229,051
Betterments	38,868	-	-	38,868
Charges for services	-	-	4,244,744	4,244,744
Departmental	31,256	-	-	31,256
Intergovernmental	27,957,491	818,612	4,675,086	33,451,189
Licenses and permits	1,502,662	-	-	1,502,662
Fines and forfeitures	113,232	-	-	113,232
Investment income	226,305	140,472	91,320	458,097
Miscellaneous	993,631	-	603,295	1,596,926
	<u>99,678,284</u>	<u>2,418,659</u>	<u>9,614,445</u>	<u>111,711,388</u>
Total Revenues				
Expenditures:				
Current:				
General government	4,560,473	1,045,436	415,924	6,021,833
Public safety	8,177,923	-	94,916	8,272,839
Education	57,887,547	-	7,154,194	65,041,741
Public works	5,247,329	-	1,336,295	6,583,624
Health and human services	984,614	-	496,807	1,481,421
Culture and recreation	1,832,038	-	350,121	2,182,159
Employee benefits	12,465,933	-	161,740	12,627,673
Debt service	6,991,091	-	-	6,991,091
Intergovernmental	430,940	-	-	430,940
	<u>98,577,888</u>	<u>1,045,436</u>	<u>10,009,997</u>	<u>109,633,321</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	1,100,396	1,373,223	(395,552)	2,078,067
Other Financing Sources (Uses):				
Transfers in	168,914	-	150,000	318,914
Transfers out	<u>(735,204)</u>	<u>(150,000)</u>	<u>(168,914)</u>	<u>(1,054,118)</u>
Total Other Financing Sources (Uses)	<u>(566,290)</u>	<u>(150,000)</u>	<u>(18,914)</u>	<u>(735,204)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	534,106	1,223,223	(414,466)	1,342,863
Fund Equity, at Beginning of Year, as restated	<u>27,204,606</u>	<u>3,463,356</u>	<u>6,221,099</u>	<u>36,889,061</u>
Fund Equity, at End of Year	<u>\$ 27,738,712</u>	<u>\$ 4,686,579</u>	<u>\$ 5,806,633</u>	<u>\$ 38,231,924</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, 2014

Net changes in fund balances - total governmental funds	\$ 1,342,863										
<ul style="list-style-type: none"> • 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;">3,993,246</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(7,981,204)</td> </tr> </table> • 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. (92,977) • 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;">5,711,587</td> </tr> <tr> <td>Amortization of refunding</td> <td style="text-align: right;">(75,833)</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">24,162</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 38,606 • 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. <u>(5,586,311)</u> 		Capital outlay purchases	3,993,246	Depreciation	(7,981,204)	Repayments of debt	5,711,587	Amortization of refunding	(75,833)	Amortization of bond premium	24,162
Capital outlay purchases	3,993,246										
Depreciation	(7,981,204)										
Repayments of debt	5,711,587										
Amortization of refunding	(75,833)										
Amortization of bond premium	24,162										
Change in net position of governmental activities	\$ <u><u>(2,625,861)</u></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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		Positive (Negative)
Revenues and Other Sources:				
Taxes	\$ 64,283,019	\$ 64,283,019	\$ 64,283,019	\$ -
Excise	2,921,000	2,921,000	3,359,008	438,008
Penalties, interest and other taxes	1,151,200	1,151,200	1,226,136	74,936
Departmental	23,100	23,100	31,256	8,156
Betterments	17,293	17,293	38,868	21,575
Intergovernmental	19,751,213	19,751,213	19,742,866	(8,347)
Licenses and permits	1,443,106	1,443,106	1,502,662	59,556
Fines and forfeits	99,200	99,200	113,232	14,032
Investment income	40,000	40,000	35,117	(4,883)
Miscellaneous	1,775,449	1,775,449	2,101,688	326,239
Transfers in	255,426	255,426	255,426	-
Use of free cash	6,458,639	6,458,639	6,458,639	-
Use of designated fund balance	32,794	32,794	32,794	-
Total Revenues and Other Sources	98,251,439	98,251,439	99,180,711	929,272
Expenditures and Other Uses:				
General government	5,519,469	5,519,469	4,981,214	538,255
Public safety	8,575,872	8,575,872	8,297,529	278,343
Education	50,536,868	50,536,868	50,269,813	267,055
Public works	5,758,544	5,758,544	6,168,961	(410,417)
Health and human services	1,019,203	1,019,203	984,345	34,858
Culture and recreation	1,864,619	1,864,619	1,836,073	28,546
Debt service	7,390,355	7,390,355	7,105,630	284,725
Intergovernmental	461,031	461,031	430,940	30,091
Employee benefits	14,732,241	14,732,241	12,625,466	2,106,775
Transfers out	1,975,665	1,975,665	1,975,665	-
Other uses-snow and ice deficit raised	417,572	417,572	417,572	-
Total Expenditures and Other Uses	98,251,439	98,251,439	95,093,208	3,158,231
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 4,087,503	\$ 4,087,503

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

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-Type Activities Enterprise Fund			
	Water Fund	Ambulance Fund	Recreation Fund	Total Fund
ASSETS				
Current:				
Cash and short-term investments	\$ 6,492,554	\$ 596,574	\$ 330,578	\$ 7,419,706
User fees, net of allowance for uncollectibles	<u>801,307</u>	<u>430,741</u>	<u>-</u>	<u>1,232,048</u>
Total current assets	7,293,861	1,027,315	330,578	8,651,754
Noncurrent:				
Capital Assets:				
Land and construction in progress	2,135,183	-	274,747	2,409,930
Other capital assets, net of accumulated depreciation	<u>40,109,896</u>	<u>295,367</u>	<u>408,259</u>	<u>40,813,522</u>
Total noncurrent assets	<u>42,245,079</u>	<u>295,367</u>	<u>683,006</u>	<u>43,223,452</u>
TOTAL ASSETS	49,538,940	1,322,682	1,013,584	51,875,206
LIABILITIES				
Current:				
Warrants payable	143,340	42,371	30,053	215,764
Accrued liabilities	78,103	326	-	78,429
Notes payable	375,000	-	-	375,000
Current portion of long-term liabilities:				
Bonds payable	1,001,922	45,000	-	1,046,922
Compensated absences	<u>4,392</u>	<u>1,386</u>	<u>1,356</u>	<u>7,134</u>
Total current liabilities	1,602,757	89,083	31,409	1,723,249
Noncurrent:				
Bonds payable, net of current portion	10,864,738	135,000	-	10,999,738
Compensated absences	83,442	26,343	25,770	135,555
Accrued other post employment benefits	<u>442,242</u>	<u>89,294</u>	<u>342,120</u>	<u>873,656</u>
Total noncurrent liabilities	<u>11,390,422</u>	<u>250,637</u>	<u>367,890</u>	<u>12,008,949</u>
TOTAL LIABILITIES	12,993,179	339,720	399,299	13,732,198
NET POSITION				
Net investment in capital assets	30,388,213	115,367	683,006	31,186,586
Unrestricted	<u>6,157,548</u>	<u>867,595</u>	<u>(68,721)</u>	<u>6,956,422</u>
TOTAL NET POSITION	<u>\$ 36,545,761</u>	<u>\$ 982,962</u>	<u>\$ 614,285</u>	<u>\$ 38,143,008</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, 2014

	Business-Type Activities Enterprise Fund			Total Fund
	Water Fund	Ambulance Fund	Recreation Fund	
Operating Revenues:				
Charges for services	\$ 4,349,176	\$ 916,323	\$ 1,136,605	\$ 6,402,104
Other	<u>72,416</u>	<u>-</u>	<u>-</u>	<u>72,416</u>
Total Operating Revenues	4,421,592	916,323	1,136,605	6,474,520
Operating Expenses:				
Operating expenses	2,529,192	1,045,070	1,204,726	4,778,988
Depreciation	1,475,943	57,580	83,428	1,616,951
Employee benefits	<u>104,956</u>	<u>20,991</u>	<u>67,300</u>	<u>193,247</u>
Total Operating Expenses	<u>4,110,091</u>	<u>1,123,641</u>	<u>1,355,454</u>	<u>6,589,186</u>
Operating Income (Loss)	311,501	(207,318)	(218,849)	(114,666)
Nonoperating Revenues (Expenses):				
Intergovernmental revenue	240,535	-	-	240,535
Investment income	6,601	1,004	437	8,042
Interest expense	<u>(259,673)</u>	<u>(5,100)</u>	<u>-</u>	<u>(264,773)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(12,537)</u>	<u>(4,096)</u>	<u>437</u>	<u>(16,196)</u>
Net Income or Loss Before Transfers	298,964	(211,414)	(218,412)	(130,862)
Transfers:				
Transfers In	<u>64,616</u>	<u>453,364</u>	<u>117,224</u>	<u>635,204</u>
Change in Net Position	363,580	241,950	(101,188)	504,342
Net Position at Beginning of Year	<u>36,182,181</u>	<u>741,012</u>	<u>715,473</u>	<u>37,638,666</u>
Net Position at End of Year	<u>\$ 36,545,761</u>	<u>\$ 982,962</u>	<u>\$ 614,285</u>	<u>\$ 38,143,008</u>

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, 2014

	Business-Type Activities			Total
	Enterprise Funds			
	Water Fund	Ambulance Fund	Recreation Fund	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 4,463,829	\$ 881,014	\$ 1,136,605	\$ 6,481,448
Payments to vendors and employees	<u>(2,519,115)</u>	<u>(1,022,288)</u>	<u>(1,215,063)</u>	<u>(4,756,466)</u>
Net Cash Provided By (Used For) Operating Activities	1,944,714	(141,274)	(78,458)	1,724,982
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition, construction, and disposition of capital assets	(512,121)	-	-	(512,121)
Issuance of bonds and notes	422,374	-	-	422,374
Payments on bond and notes	(1,009,247)	(45,000)	-	(1,054,247)
Interest expense	(259,673)	(5,100)	-	(264,773)
Intergovernmental revenue	<u>240,535</u>	<u>-</u>	<u>-</u>	<u>240,535</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,118,132)	(50,100)	-	(1,168,232)
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	<u>64,616</u>	<u>453,364</u>	<u>117,224</u>	<u>635,204</u>
Net Cash Provided By Noncapital Financing Activities	64,616	453,364	117,224	635,204
<u>Cash Flows From Investing Activities:</u>				
Investment income	<u>6,601</u>	<u>1,004</u>	<u>436</u>	<u>8,041</u>
Net Cash Provided By Investing Activities	<u>6,601</u>	<u>1,004</u>	<u>436</u>	<u>8,041</u>
Net Change in Cash and Short-Term Investments	897,799	262,994	39,202	1,199,995
Cash and Short-Term Investments, Beginning of Year	<u>5,594,755</u>	<u>333,580</u>	<u>291,376</u>	<u>6,219,711</u>
Cash and Short-Term Investments, End of Year	<u>\$ 6,492,554</u>	<u>\$ 596,574</u>	<u>\$ 330,578</u>	<u>\$ 7,419,706</u>
<u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u>				
Operating income (loss)	\$ 311,501	\$ (207,318)	\$ (218,849)	\$ (114,666)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,475,943	57,580	83,428	1,616,951
Changes in assets and liabilities:				
Receivables	42,237	(35,309)	-	6,928
Warrants payable	5,885	25,910	2,656	34,451
Compensated absences	1,208	(3,128)	(12,993)	(14,913)
Accrued other post employment benefits	98,552	20,991	67,300	186,843
Accrued liabilities	<u>9,388</u>	<u>-</u>	<u>-</u>	<u>9,388</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 1,944,714</u>	<u>\$ (141,274)</u>	<u>\$ (78,458)</u>	<u>\$ 1,724,982</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, 2014

	<u>Agency Funds</u>	<u>Other Post-Employment Benefits Trust Fund</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 1,221,874	\$ -
Investments	-	223,205
Departmental receivables	<u>121,482</u>	<u>-</u>
Total Assets	1,343,356	223,205
<u>LIABILITIES AND NET POSITION</u>		
Warrants payable	37,456	-
Escrow deposits	<u>1,305,900</u>	<u>-</u>
Total Liabilities	<u>1,343,356</u>	<u>-</u>
<u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>-</u></u>	\$ <u><u>223,205</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, 2014

	Other Post-Employment Benefits Trust <u>Fund</u>
Additions:	
Interest income	\$ 19,550
Transfers in	<u>100,000</u>
Total additions	119,550
Net position:	
Beginning of year	<u>103,655</u>
End of year	<u><u>\$ 223,205</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 2014, 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.
- The *community preservation fund* accounts for funds used for the acquisition, creation, and preservation of open space historic resources, and community housing.

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 2014 tax levy reflected an excess capacity of \$43,457.

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

J. Fund Equity

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

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

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

- 1) Nonspendable funds 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)	\$ 99,678,284	\$ 98,577,888
Other financing sources/uses (GAAP basis)	<u>168,914</u>	<u>735,204</u>
Subtotal (GAAP Basis)	99,847,198	99,313,092
Adjust tax revenue to accrual basis	53,324	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,833,482)
Add end-of-year appropriation carryforwards from expenditures	-	3,756,344
To record use of free cash	6,458,639	-
To record raising of prior year's snow and ice	-	370,044
To record use of designated fund balance	32,794	-
To remove unbudgeted stabilization fund	(63,950)	1,455,000
To reverse the effect of non-budgeted State contributions for teachers retirement	(8,214,625)	(8,214,625)
Other reclassifications	1,105,174	-
Other timing issues	<u>(37,843)</u>	<u>246,835</u>
Budgetary basis	<u>\$ 99,180,711</u>	<u>\$ 95,093,208</u>

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>Bbb</u>
U.S. Treasury notes	\$ 13,748	N/A	\$ 13,748	\$ -	\$ -
Certificates of deposits	2,457		-	2,457	-
Corporate bonds	1,691		-	1,030	661
Corporate equities	1,967	N/A	1,967	-	-
Mutual funds	2,221	N/A	2,221	-	-
Federal agency securities	<u>3,372</u>		<u>-</u>	<u>3,372</u>	<u>-</u>
Total investments	<u>\$ 25,456</u>		<u>\$ 17,936</u>	<u>\$ 6,859</u>	<u>\$ 661</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 \$25,455,657 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	\$ 13,748	\$ 42	\$ 7,557	\$ 6,149	\$ -	\$ -
Certificates of deposit	2,457	1,228	1,229	-	-	-
Corporate bonds	1,691	251	1,440	-	-	-
Corporate equities	1,967	-	-	-	-	1,967
Mutual funds	2,221	-	-	-	-	2,221
Federal agency securities	<u>3,372</u>	<u>-</u>	<u>3,296</u>	<u>24</u>	<u>52</u>	<u>-</u>
Total	<u>\$ 25,456</u>	<u>\$ 1,521</u>	<u>\$ 13,522</u>	<u>\$ 6,173</u>	<u>\$ 52</u>	<u>\$ 4,188</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, 2014 consist of the following (in thousands):

Real Estate			
2014	\$	638	
2013		15	
Prior		<u>1</u>	
			654
Personal Property			
2014		43	
2013		9	
Prior		<u>11</u>	
			63
Tax Liens			<u>549</u>
Total			<u>\$ 1,266</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	\$ 137	\$ -
Excises	\$ 17	\$ -
Utilities	\$ -	\$ 114
Other	\$ 10	\$ -

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014.

8. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 142,760	\$ 968	\$ -	\$ 143,728
Machinery, equipment, and furnishings	30,379	1,576	(153)	31,802
Infrastructure	<u>129,691</u>	<u>1,141</u>	<u>-</u>	<u>130,832</u>
Total capital assets, being depreciated	302,830	3,685	(153)	306,362
Less accumulated depreciation for:				
Buildings and improvements	(46,563)	(3,354)	-	(49,917)
Machinery, equipment, and furnishings	(13,385)	(1,417)	153	(14,649)
Infrastructure	<u>(46,056)</u>	<u>(3,210)</u>	<u>-</u>	<u>(49,266)</u>
Total accumulated depreciation	<u>(106,004)</u>	<u>(7,981)</u>	<u>153</u>	<u>(113,832)</u>
Total capital assets, being depreciated, net	196,826	(4,296)	-	192,530
Capital assets, not being depreciated:				
Land	31,014	-	-	31,014
Construction in progress	<u>6,541</u>	<u>308</u>	<u>-</u>	<u>6,849</u>
Total capital assets, not being depreciated	<u>37,555</u>	<u>308</u>	<u>-</u>	<u>37,863</u>
Governmental activities capital assets, net	<u>\$ 234,381</u>	<u>\$ (3,988)</u>	<u>\$ -</u>	<u>\$ 230,393</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,739	\$ -	\$ -	\$ 16,739
Machinery, equipment, and furnishings	2,377	54	-	2,431
Infrastructure	<u>40,485</u>	<u>438</u>	<u>-</u>	<u>40,923</u>
Total capital assets, being depreciated	59,601	492	-	60,093
Less accumulated depreciation for:				
Buildings and improvements	(5,556)	(707)	-	(6,263)
Machinery, equipment, and furnishings	(1,500)	(121)	-	(1,621)
Infrastructure	<u>(10,607)</u>	<u>(789)</u>	<u>-</u>	<u>(11,396)</u>
Total accumulated depreciation	<u>(17,663)</u>	<u>(1,617)</u>	<u>-</u>	<u>(19,280)</u>
Total capital assets, being depreciated, net	41,938	(1,125)	-	40,813
Capital assets, not being depreciated:				
Land	2,390	-	-	2,390
Construction in progress	<u>-</u>	<u>20</u>	<u>-</u>	<u>20</u>
Total capital assets, not being depreciated	<u>2,390</u>	<u>20</u>	<u>-</u>	<u>2,410</u>
Business-type activities capital assets, net	<u>\$ 44,328</u>	<u>\$ (1,105)</u>	<u>\$ -</u>	<u>\$ 43,223</u>

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

Governmental Activities:	
General government	\$ 113
Public safety	436
Education	3,663
Public works	3,545
Culture and recreation	163
Health and Human Services	<u>61</u>
Total depreciation expense - governmental activities	<u>\$ 7,981</u>
Business-Type Activities:	
Water	\$ 1,476
Ambulance	58
Recreation	<u>83</u>
Total depreciation expense - business-type activities	<u>\$ 1,617</u>

9. Warrants Payable

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

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 Town had the following notes outstanding at June 30, 2014:

	Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>6/30/14</u>
General purpose	0.45%	06/19/14	12/19/14	\$ <u>1,492,792</u>
Total				\$ <u><u>1,492,792</u></u>

The following summarizes activity in notes payable during fiscal year 2014:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
General purpose	\$ -	\$ 1,492,792	\$ -	\$ 1,492,792
Total	\$ -	\$ 1,492,792	\$ -	\$ 1,492,792

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>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/14
Title V	08/01/19	0.00%	\$ 24,157
Elementary school construction	06/01/22	4.14%	10,260,000
Elementary school construction	12/01/22	4.49%	1,555,000
Middle school construction	06/01/22	4.14%	9,775,000
Middle school construction	12/01/22	4.49%	1,480,000
Highway garage	06/01/18	3.68%	200,000
Highway garage construction	04/15/24	3.0 - 4.625%	4,715,000
East Boston camps CPA	04/01/19	4.0 - 5.5%	3,500,000
Academy refunding	06/30/20	4.00%	7,970,000
Modular classroom refunding	04/01/18	3.01%	190,000
Town Hall	04/15/10	3.68%	1,880,000
Senior center	11/15/09	3.47%	3,200,000
Elevator 2013	06/01/23	1.40%	405,000
Sweeper 2013	06/01/18	0.88%	160,000
Police communications 2013	06/01/22	1.29%	160,000
Boiler 2013	06/01/22	1.29%	80,000
Sewer refunding 2013	06/01/19	0.96%	480,000
Highway refunding 2013	06/01/16	0.77%	160,000
Total Governmental Activities:			\$ <u>46,194,157</u>

<u>Business-Type Activities:</u>	Serial	Interest	Amount
<u>Water Enterprise</u>	Maturities	Rate(s) %	Outstanding
	Through		as of
			6/30/14
Filtration plant - MWPAT	02/01/21	1.11%	\$ 980,000
MWPAT	08/01/22	1.13%	6,115,000
Water bonds	09/15/23	3.60%	340,000
Water bonds	09/15/23	3.60%	285,000
Water bonds	04/01/18	3.01%	335,000
MWPAT DW 08-16	07/15/30	2.00%	197,593
MWPAT DW 09-07	07/15/30	2.00%	1,644,067
2013 Water bond	06/01/33	2.36%	1,440,000
2013 Water bond	06/01/33	2.36%	530,000
Total Water:			<u>11,866,660</u>

<u>Business-Type Activities:</u>			
<u>Ambulance Enterprise</u>			
Ambulance 2013	06/01/18	0.88%	<u>180,000</u>
Total Business-Type Activities:			<u>\$ 12,046,660</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,419,087	\$ 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	5,594,014	1,071,531	6,665,545
2020 - 2024	16,764,014	2,118,021	18,882,035
2025 - 2029	1,525,000	221,325	1,746,325
Thereafter	<u>300,000</u>	<u>8,125</u>	<u>308,125</u>
Total	<u>\$ 46,194,157</u>	<u>\$ 9,861,221</u>	<u>\$ 56,055,378</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, 2014:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,046,922	\$ 222,491	\$ 1,269,413
2016	1,148,772	201,082	1,349,854
2017	1,175,662	178,871	1,354,533
2018	1,202,588	156,000	1,358,588
2019	1,089,553	131,402	1,220,955
2020 - 2024	4,508,658	383,586	4,892,244
2025 - 2029	1,134,074	173,398	1,307,472
Thereafter	740,431	42,532	782,963
Total	\$ <u>12,046,660</u>	\$ <u>1,489,362</u>	\$ <u>13,536,022</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance 7/1/13	Additions	Reductions	Total Balance 6/30/14	Less Current Portion	Equals Long-Term Portion 6/30/14
<u>Governmental Activities</u>						
Bonds payable	\$ 51,906	\$ -	\$ (5,712)	\$ 46,194	\$ 5,419	\$ 40,775
Other:						
Compensated absences	1,429	7	-	1,436	72	1,364
Bond premium	141	-	(24)	117	22	95
Accrued other post-employment benefits	<u>23,327</u>	<u>5,580</u>	<u>-</u>	<u>28,907</u>	<u>-</u>	<u>28,907</u>
Totals	\$ <u>76,803</u>	\$ <u>5,587</u>	\$ <u>(5,736)</u>	\$ <u>76,654</u>	\$ <u>5,513</u>	\$ <u>71,141</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 13,101	\$ -	\$ (1,054)	\$ 12,047	\$ 1,047	\$ 11,000
Other:						
Compensated absences	158	-	(15)	143	7	136
Accrued other post-employment benefits	<u>687</u>	<u>187</u>	<u>-</u>	<u>874</u>	<u>-</u>	<u>874</u>
Totals	\$ <u>13,946</u>	\$ <u>187</u>	\$ <u>(1,069)</u>	\$ <u>13,064</u>	\$ <u>1,054</u>	\$ <u>12,010</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, 2014:

	<u>General Fund</u>	<u>Preservation Act</u>	<u>Nonmajor</u>
Unearned revenue	\$ 1,333,589	\$ 25,857	\$ 18,156

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, 2014:

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, 2014:

	General Fund	CPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 619,138	\$ 619,138
Total Nonspendable	-	-	619,138	619,138
Restricted				
Reserve for debt service	12,586,760	-	-	12,586,760
Capital project funds	-	-	410,784	410,784
Special revenue funds	-	-	3,674,565	3,674,565
Expendable permanent funds	-	-	2,055,722	2,055,722
Total Restricted	12,586,760	-	6,141,071	18,727,831
Committed				
Reserve for continuing appropriations				
General government	407,965	-	-	407,965
Public safety	111,950	-	-	111,950
Education	406,646	-	-	406,646
Public works	1,166,456	-	-	1,166,456
Culture and recreation	110,439	-	-	110,439
Community preservation act funds	-	4,686,579	-	4,686,579
Health stabilization	512,937	-	-	512,937
Total Committed	2,716,393	4,686,579	-	7,402,972
Assigned				
Reserved for encumbrances				
General government	607,713	-	-	607,713
Public safety	18,870	-	-	18,870
Education	898,675	-	-	898,675
Public works	23,967	-	-	23,967
Culture and recreation	1,060	-	-	1,060
Health and human services	2,603	-	-	2,603
Reserved for petty cash	5,500	-	-	5,500
Total Assigned	1,558,388	-	-	1,558,388
Unassigned				
General fund	6,187,118	-	-	6,187,118
General stabilization	4,690,053	-	(953,576)	3,736,477
Total Unassigned	10,877,171	-	(953,576)	9,923,595
Total Fund Balances	\$ 27,738,712	\$ 4,686,579	\$ 5,806,633	\$ 38,231,924

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	\$ 10,877,171
Stabilization	(4,690,053)
Tax refund estimate	<u>1,610,000</u>
Statutory (UMAS) Balance	<u>\$ 7,797,118</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 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the

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

Annual Required Contribution (ARC)	\$ 6,850,064
Interest on net OPEB obligation	960,563
Adjustment to ARC	<u>207,403</u>
Annual OPEB cost	8,018,030
Contributions made	<u>(2,251,178)</u>
Increase in net OPEB obligation	5,766,852
Net OPEB obligation - beginning of year	<u>24,014,079</u>
Net OPEB obligation - end of year	<u>\$ 29,780,931</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>
2014	\$ 8,018,030	28%	\$ 29,780,931
2013	\$ 8,536,800	24%	\$ 24,014,079
2012	\$ 5,935,894	34%	\$ 17,506,416

The Town's net OPEB obligation as of June 30, 2014 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, 2014, 2013, and 2012 were \$3,587,501, \$3,228,539, and \$3,030,843, 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 2014, the Commonwealth of Massachusetts contributed \$8,214,625 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. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2014, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 7/1/13 (as previously <u>reported</u>)	<u>Reclassification</u>	Fund Equity 7/1/13 (as restated)
Nonmajor funds	\$ 9,684,455	\$ (3,463,356)	\$ 6,221,099
Community preservation act	<u>-</u>	<u>3,463,356</u>	<u>3,463,356</u>
Total	<u>\$ 9,684,455</u>	<u>\$ -</u>	<u>\$ 9,684,455</u>

22. 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, 2014
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
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 Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
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.