

TOWN OF BELMONT, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2014

TOWN OF BELMONT, MASSACHUSETTS

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JUNE 30, 2014

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Belmont, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, Massachusetts, as of and for the year ended June 30, 2014 (except for the Belmont Contributory Retirement System which is as of and for the year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the Town of Belmont, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Belmont Municipal Light Plant as of December 31, 2013, which represent 43.6%, 35.5%, and 62.0%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities of the Belmont Municipal Light Plant, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, Massachusetts, as of June 30, 2014 (except for the Belmont Contributory Retirement System and Municipal Light Plant which are as of and for the year ended December 31, 2013), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2015 on our consideration of the Town of Belmont, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Belmont, Massachusetts' internal control over financial reporting and compliance.

Powers + Sullivan, LLC

January 7, 2015

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Belmont, we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2014.

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

Financial Summary

- The Town's assets exceeded its liabilities at the close of year 2014 by \$113.8 million.
- The Town's total net position decreased by \$5.7 million.
- At the end of year 2014, the unassigned fund balance for the general fund was \$12.4 million or 12.9% of general fund expenditures.
- This is the sixth year since the Town implemented GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. At year end, the postemployment benefit (OPEB) liability totaled \$71.6 million. Please see Note 13 in the financial statements for further details.
- To offset the impact of OPEB liability, the Town has established an Other Postemployment Benefits Trust Fund (Trust) to account for funds set aside to help meet future postemployment benefit costs for retirees. During 2014, the Town transferred \$242 thousand and the Trust received \$97 thousand in investment income, bringing the balance to \$1.7 million. The Town voted to transfer \$265 thousand into the fund during 2015.
- At year end, the balance in the Town's Internal Service Fund totaled \$7.5 million, an increase of \$1.8 million from the prior year.

Overview of the Financial Statements

Our discussion and analysis of the Town is intended to serve as an introduction to the Town of Belmont's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This analysis also contains other required supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs.

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

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

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

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As noted below, assets exceeded liabilities by \$71.1 million at the close of the most recent year.

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 55,830,467	\$ 49,432,739
Noncurrent assets (excluding capital).....	-	537,104
Capital assets.....	<u>135,575,484</u>	<u>136,836,307</u>
Total assets.....	<u>191,405,951</u>	<u>186,806,150</u>
Total deferred outflows of resources.....	<u>428,964</u>	<u>458,076</u>
Liabilities:		
Current liabilities (excluding debt).....	5,532,697	7,309,229
Noncurrent liabilities (excluding debt).....	71,231,392	59,550,440
Current debt.....	3,577,838	3,364,191
Noncurrent debt.....	<u>39,055,416</u>	<u>38,333,862</u>
Total liabilities.....	<u>119,397,343</u>	<u>108,557,722</u>
Total deferred inflows of resources.....	<u>1,318,776</u>	<u>-</u>
Net Position:		
Capital assets net of related debt.....	98,844,737	99,262,443
Restricted.....	4,770,295	4,272,253
Unrestricted.....	<u>(32,496,236)</u>	<u>(24,828,192)</u>
Total net position.....	<u>\$ 71,118,796</u>	<u>\$ 78,706,504</u>

A significant portion of the Town's net position, \$98.8 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$4.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of *unrestricted net position*, of \$32.5 million is due to the recognition of the liability associated with GASB Statement #45 in the amount of \$66.4 million.

The governmental activities net position decreased by \$7.6 million in the current year. The decrease was primarily due a \$13.0 million increase in the other postemployment benefits liability. In year 2014, the liability totaled \$66.4 million. The decrease was offset by \$1.3 million of capital grants related to MSBA funding of school projects, Chapter 90 highway grants, and State matching CPA fund grants. Other elements affecting net position were a surplus of \$1.0 million in the community preservation fund and the Town's ability to fund capital additions (approximately \$2.4 million) from current year revenues.

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

	<u>2014</u>	<u>2013</u>
Program Revenues:		
Charges for services.....	\$ 6,880,480	\$ 6,467,836
Operating grants and contributions.....	19,449,179	18,183,030
Capital grants and contributions.....	1,275,108	1,508,432
General Revenues:		
Real estate and personal property taxes.....	72,256,633	71,037,653
Tax liens.....	334,414	515,334
Motor vehicle and other excise taxes.....	3,231,491	3,112,953
Community preservation tax.....	907,112	896,125
Nonrestricted grants.....	2,526,960	2,402,949
Penalties and interest on taxes.....	389,566	378,917
Unrestricted investment income.....	886,008	975,803
Total revenues.....	<u>108,136,951</u>	<u>105,479,032</u>
Expenses:		
General government.....	7,450,689	7,067,537
Public safety.....	20,163,937	20,597,571
Education.....	72,354,998	68,960,876
Public works.....	11,037,195	9,776,192
Human services.....	1,320,058	1,345,467
Culture and recreation.....	3,182,350	3,198,779
Interest.....	1,152,557	1,634,086
Total expenses.....	<u>116,661,784</u>	<u>112,580,508</u>
Change in net position before transfers.....	(8,524,833)	(7,101,476)
Transfers.....	937,125	838,064
Change in net position.....	(7,587,708)	(6,263,412)
Net position at beginning of year.....	78,706,504	84,969,916
Net position at end of year.....	\$ <u>71,118,796</u>	\$ <u>78,706,504</u>

Business-type activities

Combined business-type activities net position increased by \$1.8 million in the current year. The following table identifies key elements of the enterprise operations:

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 26,492,464	\$ 28,792,838
Noncurrent assets (excluding capital).....	3,186,971	2,602,716
Capital assets.....	<u>52,276,923</u>	<u>46,511,058</u>
Total assets.....	81,956,358	77,906,612
Liabilities:		
Current liabilities (excluding debt).....	2,544,127	2,863,949
Noncurrent liabilities (excluding debt).....	5,546,982	4,665,946
Current debt.....	17,112,246	15,256,161
Noncurrent debt.....	<u>12,797,737</u>	<u>13,016,444</u>
Total liabilities.....	38,001,092	35,802,500
Total deferred inflows of resources.....	<u>1,310,917</u>	<u>1,306,056</u>
Net Position:		
Capital assets net of related debt.....	24,686,083	21,155,481
Unrestricted.....	<u>17,958,266</u>	<u>19,642,575</u>
Total net position.....	42,644,349	40,798,056
Program Revenues:		
Charges for services.....	34,859,538	33,856,258
General Revenues:		
Unrestricted investment income.....	<u>15,791</u>	<u>16,649</u>
Total revenues.....	34,875,329	33,872,907
Expenses:		
Water.....	4,937,845	4,327,920
Sewer.....	7,316,529	6,972,704
Light.....	<u>19,837,537</u>	<u>19,270,550</u>
Total expenses.....	32,091,911	30,571,174
Change in net position before transfers...	2,783,418	3,301,733
Transfers.....	<u>(937,125)</u>	<u>(932,873)</u>
Change in net position.....	1,846,293	2,368,860
Net position at beginning of year.....	<u>40,798,056</u>	<u>38,429,196</u>
Net position at end of year.....	\$ <u><u>42,644,349</u></u>	\$ <u><u>40,798,056</u></u>

Financial Analysis of the Town's Governmental Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$37.8 million comprised of \$19.5 million in the general fund, a deficit of \$109 thousand in the Wellington School construction fund, \$3.0 million in community preservation, and \$15.4 million in the nonmajor governmental funds. Overall fund balance increased by \$5.5 million in year 2014. This was primarily due to the issuance of \$2.4 million of long-term debt, a surplus in the general fund of \$1.8 million, a \$92 thousand surplus in the Wellington School construction fund, and a \$1.0 million surplus in the community preservation fund.

The general fund is the chief operating fund. At the end of the current year, the unassigned fund balance of the general fund was \$12.4 million, while the total fund balance was \$19.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12.9% of general fund budgetary expenditures, while total fund balance represents 20.2% of that same amount. During 2014, the fund balance of the general fund increased by \$1.8 million. The increase was primarily due to a budgetary surplus of \$1.9 million offset by a reduction in the accrual for 60 day receipts of \$90 thousand and an increase in the Town's estimate for Appellate Tax Board cases of \$24 thousand.

The Wellington School construction fund is used to account for the activities related to the construction of the new school building. During 2014, the Town spent \$80 thousand on the project and received \$173 thousand of grant proceeds from the MSBA. At June 30, 2014, the fund has a deficit balance of \$109 thousand. The deficit will be funded with available funds and grant proceeds in future years. The project is essentially complete as of June 30, 2014.

The community preservation fund had a fund balance at June 30, 2014 of \$3.0 million. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge on property taxes and to receive matching state grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing. The fund increased \$1.0 million during year 2014 due to the receipt of both state grants and the tax surcharges, offset by \$389 thousand of expenditures.

Financial Analysis of Proprietary Funds

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

The net position of the water, sewer and electric light funds increased \$1.8 million in year 2014. This performance was primarily the result of an increase in light user fees while controlling the related cost structures. The light department experienced an overall increase in kilowatt hours sold due to a very cold winter and hot summer, as well as an increase of 6% in rates which were used to cover the debt service costs. The water and sewer funds experienced relatively flat revenues with slight increases in overall operating costs which resulted in less operating income in relation to the prior year.

The internal service fund had an ending fund balance of \$7.5 million, which represents an increase of \$1.8 million over the prior year. Contributions exceeded claim payments by \$1.8 million and the fund earned \$15.1 thousand in investment earnings.

General Fund Budgetary Highlights

There was a net increase of \$254 thousand between the original and final adopted budgets. This increase primarily relates to a voted contribution to the OPEB Trust.

Capital Asset and Debt Administration

Capital Asset Administration

The Town of Belmont's investment in capital assets for its governmental and business type activities as of June 30, 2014 amounted to \$187.9 million (net of depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, and infrastructure assets. The Town's major capital projects relate to the Wellington School project, Town restoration projects, paving, and various other infrastructure projects.

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

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

Light Department

Of the \$2.9 million increase in construction in progress, \$2.6 million was attributed to the 115KV substation project funded by \$14,000,000 from a short term Bond Anticipation Note (See debt administration note below for further information).

Debt Administration

Outstanding governmental bonded long-term debt, as of June 30, 2014, totaled \$40.7 million of which \$25.0 million relates to various School construction projects and purchases, \$9.4 million of refunding bonds, \$2.3 million relates to the senior center project, \$1.4 million relates to the purchase of fire vehicles, \$1.2 million relates to the Fire Station construction, and \$960 thousand relates to Harris Field repairs, leaving a balance of \$459 thousand for other CIP projects. The enterprise funds have \$4.2 million in water debt and \$9.8 million in sewer debt, all of which are fully supported by the rates.

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

Light Department

On April 26, 2012, the Town issued a Bond Anticipation Note (BAN) in the aggregate amount of \$14,000,000, which included a bond premium, bearing interest at 1.83% and maturing April 25, 2013. The proceeds are to be used to finance the 115kv Transmission Service Upgrade Project. On April 25, 2013, the BAN matured and was renewed in the aggregate amount of \$14,000,000 which included a bond premium, bearing interest at 1.77% and maturing April 25, 2014. As of April 2014, the \$14,000,000 BAN was permanently financed and an additional \$12,100,000 was added for a total long-term debt issuance of \$26,100,000.

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

Economic Factors and Next Year's Budget

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

The Town collects 99% of its property tax billings in the year billed. Property taxes billed were \$74.0 million in 2014, which resulted in a \$1.9 million increase from the prior year. \$744 thousand of this increase is the product of the certified new growth of the Town. Within this levy approximately \$3.4 million of previous debt exclusions were paid off.

The Town continues to experience growth in residential renovation and development. In year 2014, 1006 building permits were issued, resulting in \$51.2 million in taxable value. This activity has produced new growth tax revenue, which is exempt from the limitation imposed by Proposition 2 ½. For year 2014, the Town realized \$744 thousand in new taxes from this source.

The unemployment rate for Belmont as of August 2014 was 3.9% compared to the state figure of 6.0% and the nationwide figure of 6.1%.

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2014

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 32,592,050	\$ 19,810,051	\$ 52,402,101
Investments.....	18,092,113	-	18,092,113
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	680,885	-	680,885
Real estate tax deferrals.....	686,321	-	686,321
Tax liens.....	938,744	30,882	969,626
Motor vehicle excise taxes.....	183,345	-	183,345
User fees.....	-	4,435,040	4,435,040
Departmental and other.....	430,241	-	430,241
Intergovernmental.....	2,122,554	-	2,122,554
Inventory.....	104,214	483,276	587,490
Prepaid expenses.....	-	80,754	80,754
Purchased power advanced deposits.....	-	1,652,461	1,652,461
NONCURRENT:			
Restricted cash and cash equivalents.....	-	3,186,971	3,186,971
Capital assets, non depreciable.....	16,330,885	10,337,721	26,668,606
Capital assets, depreciable.....	119,244,599	41,939,202	161,183,801
TOTAL ASSETS.....	191,405,951	81,956,358	273,362,309
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding.....	428,964	-	428,964
LIABILITIES			
CURRENT:			
Warrants payable.....	1,348,998	1,532,492	2,881,490
Accrued liabilities.....	-	747,324	747,324
Accrued payroll.....	460,440	33,470	493,910
Health claims payable.....	1,650,000	-	1,650,000
Tax refunds payable.....	577,000	-	577,000
Accrued interest.....	585,686	74,674	660,360
Other liabilities.....	491,697	139,984	631,681
Capital lease obligations.....	297,078	-	297,078
Landfill closure.....	52,000	-	52,000
Compensated absences.....	69,798	16,183	85,981
Notes payable.....	-	15,911,539	15,911,539
Bonds payable.....	3,577,838	1,200,707	4,778,545
NONCURRENT:			
Capital lease obligations.....	403,953	-	403,953
Landfill closure.....	3,095,000	-	3,095,000
Compensated absences.....	1,326,164	307,489	1,633,653
Other postemployment benefits.....	66,406,275	5,239,493	71,645,768
Bonds payable.....	39,055,416	12,797,737	51,853,153
TOTAL LIABILITIES.....	119,397,343	38,001,092	157,398,435
DEFERRED INFLOWS OF RESOURCES			
Advanced collections.....	1,318,776	-	1,318,776
Rate stabilization reserve.....	-	1,310,917	1,310,917
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,318,776	1,310,917	2,629,693
NET POSITION			
Net investment in capital assets.....	98,844,737	24,686,083	123,530,820
Restricted for:			
Permanent funds:			
Expendable.....	1,015,800	-	1,015,800
Nonexpendable.....	2,708,722	-	2,708,722
Other purposes.....	1,045,773	-	1,045,773
Unrestricted.....	(32,496,236)	17,958,266	(14,537,970)
TOTAL NET POSITION.....	\$ 71,118,796	\$ 42,644,349	\$ 113,763,145

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 7,450,689	\$ 669,027	\$ 46,679	\$ 629	\$ (6,734,354)
Public safety.....	20,163,937	1,093,129	212,149	-	(18,858,659)
Education.....	72,354,998	2,928,377	18,901,757	420	(50,524,444)
Public works.....	11,037,195	1,172,684	2,205	1,067,059	(8,795,247)
Human services.....	1,320,058	224,858	185,645	-	(909,555)
Culture and recreation.....	3,182,350	792,405	49,144	-	(2,340,801)
Community preservation.....	-	-	-	207,000	207,000
Interest.....	1,152,557	-	51,600	-	(1,100,957)
Total Governmental Activities.....	116,661,784	6,880,480	19,449,179	1,275,108	(89,057,017)
<i>Business-Type Activities:</i>					
Water.....	4,937,845	5,536,347	-	-	598,502
Sewer.....	7,316,529	7,694,263	-	-	377,734
Light.....	19,837,537	21,628,928	-	-	1,791,391
Total Business-Type Activities.....	32,091,911	34,859,538	-	-	2,767,627
Total Primary Government.....	\$ 148,753,695	\$ 41,740,018	\$ 19,449,179	\$ 1,275,108	\$ (86,289,390)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (89,057,017)	\$ 2,767,627	\$ (86,289,390)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	72,256,633	-	72,256,633
Tax liens.....	334,414	-	334,414
Motor vehicle and other excise taxes.....	3,231,491	-	3,231,491
Community preservation tax.....	907,112	-	907,112
Penalties and interest on taxes.....	389,566	-	389,566
Grants and contributions not restricted to specific programs.....	2,526,960	-	2,526,960
Unrestricted investment income.....	886,008	15,791	901,799
<i>Transfers, net</i>	937,125	(937,125)	-
Total general revenues and transfers.....	81,469,309	(921,334)	80,547,975
Change in net position.....	(7,587,708)	1,846,293	(5,741,415)
<i>Net Position:</i>			
Beginning of year.....	78,706,504	40,798,056	119,504,560
End of year.....	\$ <u>71,118,796</u>	\$ <u>42,644,349</u>	\$ <u>113,763,145</u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

	General	Wellington School Construction	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 14,907,602	\$ -	\$ 795,746	\$ 7,708,395	\$ 23,411,743
Investments.....	8,426,190	-	2,230,708	7,435,215	18,092,113
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	673,295	-	7,590	-	680,885
Real estate tax deferrals.....	686,321	-	-	-	686,321
Tax liens.....	938,744	-	-	-	938,744
Motor vehicle excise taxes.....	183,345	-	-	-	183,345
Departmental and other.....	417,711	-	-	12,530	430,241
Intergovernmental.....	331,000	-	207,000	1,584,554	2,122,554
Due from other funds.....	108,666	-	-	-	108,666
TOTAL ASSETS.....	\$ 26,672,874	\$ -	\$ 3,241,044	\$ 16,740,694	\$ 46,654,612
LIABILITIES					
Warrants payable.....	\$ 1,293,645	\$ -	\$ -	\$ 55,353	\$ 1,348,998
Accrued payroll.....	440,991	-	-	19,449	460,440
Tax refunds payable.....	577,000	-	-	-	577,000
Other liabilities.....	491,697	-	-	-	491,697
Due to other funds.....	-	108,666	-	-	108,666
TOTAL LIABILITIES.....	2,803,333	108,666	-	74,802	2,986,801
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue.....	4,349,904	-	233,804	1,277,882	5,861,590
FUND BALANCES					
Nonspendable.....	-	-	-	2,708,722	2,708,722
Restricted.....	-	-	3,007,240	12,679,288	15,686,528
Committed.....	3,628,391	-	-	-	3,628,391
Assigned.....	3,450,458	-	-	-	3,450,458
Unassigned.....	12,440,788	(108,666)	-	-	12,332,122
TOTAL FUND BALANCES.....	19,519,637	(108,666)	3,007,240	15,388,010	37,806,221
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 26,672,874	\$ -	\$ 3,241,044	\$ 16,740,694	\$ 46,654,612

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Total governmental fund balances.....		\$ 37,806,221
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		135,575,484
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		4,542,814
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		7,530,307
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(585,686)
Inventory is capitalized in the Statement of Activities.....		104,214
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable.....	(42,633,254)	
Capital lease obligations.....	(701,031)	
Landfill closure.....	(3,147,000)	
Other postemployment benefits payable.....	(66,406,275)	
Compensated absences.....	<u>(1,395,962)</u>	
Net effect of reporting long-term liabilities.....		(114,283,522)
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued.....		<u>428,964</u>
Net position of governmental activities.....		<u>\$ 71,118,796</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	General	Wellington School Construction	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds..... \$	73,657,181	\$ -	\$ -	\$ -	\$ 73,657,181
Tax liens.....	489,554	-	-	-	489,554
Motor vehicle and other excise taxes.....	3,273,897	-	-	-	3,273,897
Charges for services.....	2,194,716	-	-	-	2,194,716
Penalties and interest on taxes.....	389,566	-	-	-	389,566
Licenses and permits.....	1,170,923	-	-	-	1,170,923
Fines and forfeitures.....	269,294	-	-	-	269,294
Intergovernmental.....	17,874,796	172,522	470,418	4,510,183	23,027,919
Departmental and other.....	-	-	-	3,503,520	3,503,520
Community preservation tax.....	-	-	908,256	-	908,256
Contributions.....	-	-	-	158,719	158,719
Investment income.....	200,457	-	12,399	657,933	870,789
Miscellaneous.....	-	-	-	2,386	2,386
TOTAL REVENUES.....	99,520,384	172,522	1,391,073	8,832,741	109,916,720
EXPENDITURES:					
Current:					
General government.....	3,414,809	-	388,938	606,656	4,410,403
Public safety.....	12,235,301	-	-	277,721	12,513,022
Education.....	54,572,642	80,432	-	7,894,982	62,548,056
Public works.....	8,912,397	-	-	1,790,667	10,703,064
Human services.....	818,828	-	-	139,151	957,979
Culture and recreation.....	2,582,155	-	-	131,680	2,713,835
Pension benefits.....	5,634,285	-	-	-	5,634,285
Employee benefits.....	1,896,831	-	-	-	1,896,831
State and county charges.....	1,678,335	-	-	-	1,678,335
Debt service:					
Principal.....	3,364,191	-	-	-	3,364,191
Interest.....	1,619,336	-	-	-	1,619,336
TOTAL EXPENDITURES.....	96,729,110	80,432	388,938	10,840,857	108,039,337
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	2,791,274	92,090	1,002,135	(2,008,116)	1,877,383
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds and notes.....	-	-	-	2,380,000	2,380,000
Premium from issuance of bonds.....	298,180	-	-	-	298,180
Transfers in.....	1,162,125	-	-	2,662,432	3,824,557
Transfers out.....	(2,411,000)	-	-	(476,432)	(2,887,432)
TOTAL OTHER FINANCING SOURCES (USES).....	(950,695)	-	-	4,566,000	3,615,305
NET CHANGE IN FUND BALANCES.....	1,840,579	92,090	1,002,135	2,557,884	5,492,688
FUND BALANCES AT BEGINNING OF YEAR.....	17,679,058	(200,756)	2,005,105	12,830,126	32,313,533
FUND BALANCES AT END OF YEAR..... \$	19,519,637	\$(108,666)	\$ 3,007,240	\$ 15,388,010	\$ 37,806,221

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....		\$ 5,492,688
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	3,059,323	
Depreciation expense.....	<u>(4,320,146)</u>	
Net effect of reporting capital assets.....		(1,260,823)
<p>Governmental funds report inventories as expenditures. However in the Statement of Activities the cost of those assets is capitalized and expensed when depleted.....</p>		
		87,651
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable 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 unavailable revenue.....</p>		
		(1,794,988)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Amortization of issuance costs.....	(264,328)	
Amortization of bond premiums.....	129,647	
Amortization of deferred charges.....	(90,986)	
Principal payments on capital leases.....	287,900	
Proceeds from bonds and notes.....	(2,380,000)	
Debt service principal payments.....	<u>3,364,191</u>	
Net effect of reporting long-term debt.....		1,046,424
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	8,765	
Net change in accrued interest on long-term debt.....	129,938	
Net change in landfill closure accrual.....	(102,800)	
Net change in other postemployment benefits.....	<u>(13,030,949)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(12,995,046)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>1,836,386</u>
Change in net position of governmental activities.....		\$ <u><u>(7,587,708)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2013)	Total	
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 4,031,401	\$ 3,620,671	\$ 12,157,979	\$ 19,810,051	\$ 9,180,307
Receivables, net of allowance for uncollectibles:					
Tax liens.....	11,913	18,969	-	30,882	-
User fees.....	1,180,416	1,756,442	1,498,182	4,435,040	-
Inventory.....	129,741	11,839	341,696	483,276	-
Prepaid expenses.....	-	-	80,754	80,754	-
Purchased power advanced deposits.....	-	-	1,652,461	1,652,461	-
Total current assets.....	<u>5,353,471</u>	<u>5,407,921</u>	<u>15,731,072</u>	<u>26,492,464</u>	<u>9,180,307</u>
NONCURRENT:					
Restricted cash and cash equivalents.....	-	-	3,186,971	3,186,971	-
Capital assets, non depreciable.....	3,138	-	10,334,583	10,337,721	-
Capital assets, depreciable.....	12,714,383	22,775,261	6,449,558	41,939,202	-
Total noncurrent assets.....	<u>12,717,521</u>	<u>22,775,261</u>	<u>19,971,112</u>	<u>55,463,894</u>	<u>-</u>
TOTAL ASSETS.....	<u><u>18,070,992</u></u>	<u><u>28,183,182</u></u>	<u><u>35,702,184</u></u>	<u><u>81,956,358</u></u>	<u><u>9,180,307</u></u>
LIABILITIES					
CURRENT:					
Warrants payable.....	77,023	44,883	1,410,586	1,532,492	-
Accrued liabilities.....	-	-	747,324	747,324	-
Accrued payroll.....	18,142	15,328	-	33,470	-
Health claims payable.....	-	-	-	-	1,650,000
Accrued interest.....	-	74,674	-	74,674	-
Compensated absences.....	3,472	3,520	9,191	16,183	-
Notes payable.....	-	1,911,539	14,000,000	15,911,539	-
Bonds payable.....	583,358	617,349	-	1,200,707	-
Total current liabilities.....	<u>681,995</u>	<u>2,667,293</u>	<u>16,167,101</u>	<u>19,516,389</u>	<u>1,650,000</u>
NONCURRENT:					
Compensated absences.....	65,971	66,885	174,633	307,489	-
Other liabilities.....	-	-	139,984	139,984	-
Other postemployment benefits.....	1,389,500	1,059,893	2,790,100	5,239,493	-
Bonds payable.....	3,655,666	9,142,071	-	12,797,737	-
Total noncurrent liabilities.....	<u>5,111,137</u>	<u>10,268,849</u>	<u>3,104,717</u>	<u>18,484,703</u>	<u>-</u>
TOTAL LIABILITIES.....	<u><u>5,793,132</u></u>	<u><u>12,936,142</u></u>	<u><u>19,271,818</u></u>	<u><u>38,001,092</u></u>	<u><u>1,650,000</u></u>
DEFERRED INFLOWS OF RESOURCES					
Rate stabilization reserve.....	-	-	1,310,917	1,310,917	-
NET POSITION					
Net investment in capital assets.....	9,613,446	12,288,496	2,784,141	24,686,083	-
Unrestricted.....	2,664,414	2,958,544	12,335,308	17,958,266	7,530,307
TOTAL NET POSITION.....	<u><u>\$ 12,277,860</u></u>	<u><u>\$ 15,247,040</u></u>	<u><u>\$ 15,119,449</u></u>	<u><u>\$ 42,644,349</u></u>	<u><u>\$ 7,530,307</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2013)	Total	
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ 3,184,621
Employer contributions	-	-	-	-	10,161,728
Charges for services	5,536,272	7,694,263	21,281,079	34,511,614	-
Other.....	75	-	347,849	347,924	489,867
TOTAL OPERATING REVENUES	5,536,347	7,694,263	21,628,928	34,859,538	13,836,216
OPERATING EXPENSES:					
Cost of services and administration	4,630,356	6,589,751	18,573,301	29,793,408	-
Depreciation.....	307,489	490,243	1,263,827	2,061,559	-
Employee benefits	-	-	-	-	12,015,049
TOTAL OPERATING EXPENSES	4,937,845	7,079,994	19,837,128	31,854,967	12,015,049
OPERATING INCOME (LOSS).....	598,502	614,269	1,791,800	3,004,571	1,821,167
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	4,303	5,112	6,376	15,791	15,219
Interest expense.....	-	(236,535)	(409)	(236,944)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	4,303	(231,423)	5,967	(221,153)	15,219
INCOME (LOSS) BEFORE TRANSFERS.....	602,805	382,846	1,797,767	2,783,418	1,836,386
TRANSFERS:					
Transfers out.....	(160,250)	(126,875)	(650,000)	(937,125)	-
CHANGE IN NET POSITION.....	442,555	255,971	1,147,767	1,846,293	1,836,386
NET POSITION AT BEGINNING OF YEAR.....	11,835,305	14,991,069	13,971,682	40,798,056	5,693,921
NET POSITION AT END OF YEAR.....	\$ 12,277,860	\$ 15,247,040	\$ 15,119,449	\$ 42,644,349	\$ 7,530,307

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2013)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 5,691,270	\$ 7,986,039	\$ 21,855,531	\$ 35,532,840	\$ -
Receipts from interfund services provided.....	-	-	-	-	13,836,216
Payments to vendors.....	(2,961,217)	(5,103,889)	(14,319,074)	(22,384,180)	-
Payments to employees.....	(1,365,020)	(1,250,137)	(4,134,499)	(6,749,656)	-
Payments for interfund services used.....	-	-	-	-	(12,184,394)
NET CASH FROM OPERATING ACTIVITIES.....	1,365,033	1,632,013	3,401,958	6,399,004	1,651,822
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out.....	(160,250)	(126,875)	-	(287,125)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	982,000	1,911,539	-	2,893,539	-
Acquisition and construction of capital assets.....	(1,952,442)	(3,020,464)	(3,641,781)	(8,614,687)	-
Principal payments on bonds and notes.....	(571,356)	(684,805)	-	(1,256,161)	-
Customer advances for construction.....	-	-	6,409	6,409	-
Interest expense.....	-	(240,167)	(409)	(240,576)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,541,798)	(2,033,897)	(3,635,781)	(7,211,476)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Rate stabilization reserve.....	-	-	4,861	4,861	-
Investment income.....	4,303	5,112	6,376	15,791	15,219
NET CASH FROM INVESTING ACTIVITIES.....	4,303	5,112	11,237	20,652	15,219
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(332,712)	(523,647)	(222,586)	(1,078,945)	1,667,041
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,364,113	4,144,318	15,567,536	24,075,967	7,513,266
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 4,031,401	\$ 3,620,671	\$ 15,344,950	\$ 22,997,022	\$ 9,180,307
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 598,502	\$ 614,269	\$ 1,791,800	\$ 3,004,571	\$ 1,821,167
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	307,489	490,243	1,263,827	2,061,559	-
Changes in assets and liabilities:					
Tax liens.....	5,695	8,986	-	14,681	-
User fees.....	149,228	221,658	224,383	595,269	-
Intergovernmental.....	-	61,132	-	61,132	-
Inventory.....	28,557	3,942	(59,450)	(26,951)	-
Prepaid expenses.....	-	-	(45,061)	(45,061)	-
Purchased power advance deposits.....	-	-	(143)	(143)	-
Other postemployment benefits obligation.....	235,224	225,900	522,185	983,309	-
Warrants payable.....	26,380	1,923	(281,505)	(253,202)	(19,345)
Accrued liabilities.....	-	-	(27,842)	(27,842)	-
Accrued payroll.....	3,490	2,224	-	5,714	-
Health claims payable.....	-	-	-	-	(150,000)
Other liabilities.....	-	-	(4,646)	(4,646)	-
Accrued compensated absences.....	10,468	1,736	18,410	30,614	-
Total adjustments.....	766,531	1,017,744	1,610,158	3,394,433	(169,345)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,365,033	\$ 1,632,013	\$ 3,401,958	\$ 6,399,004	\$ 1,651,822

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY POSITION

JUNE 30, 2014

	Pension Trust Fund (as of December 31, 2013)	Other Postemployment Benefit Trust	Private Purpose Trust Funds	Agency Funds
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 1,515,729	\$ 193,226	\$ 336,786	\$ 206,219
Investments.....	77,444,415	1,527,163	480,773	23,958
Due from general fund.....	3,520,311	-	-	-
Other assets.....	-	-	-	203,182
TOTAL ASSETS.....	82,480,455	1,720,389	817,559	433,359
LIABILITIES				
Warrants payable.....	174,502	-	-	6,301
Accrued liabilities.....	-	-	-	21,482
Liabilities due depositors.....	-	-	-	202,394
Deferred revenue.....	-	-	-	203,182
TOTAL LIABILITIES.....	174,502	-	-	433,359
NET POSITION				
Restricted for pensions.....	82,305,953	-	-	-
Held in trust for OPEB and other purposes.....	-	1,720,389	817,559	-
	\$ 82,305,953	\$ 1,720,389	\$ 817,559	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

	Pension Trust Fund (as of December 31, 2013)	Other Postemployment Benefit Trust	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer.....	\$ 6,899,432	\$ 242,342	\$ -
Employee.....	2,287,679	-	-
Miscellaneous.....	-	-	48,481
Total contributions.....	9,187,111	242,342	48,481
Net investment income (loss):			
Net change in fair value of investments.....	9,867,905	97,184	-
Interest.....	1,829,725	-	35,655
Total investment income (loss).....	11,697,630	97,184	35,655
Less: investment expense.....	(417,336)	-	-
Net investment income (loss).....	11,280,294	97,184	35,655
Intergovernmental.....	144,640	-	-
Transfers from other systems.....	247,987	-	-
TOTAL ADDITIONS.....	20,860,032	339,526	84,136
DEDUCTIONS:			
Administration.....	179,470	-	-
Transfers to other systems.....	597,010	-	-
Retirement benefits and refunds.....	9,437,523	-	-
Educational scholarships.....	-	-	50,450
TOTAL DEDUCTIONS.....	10,214,003	-	50,450
CHANGE IN NET POSITION.....	10,646,029	339,526	33,686
NET POSITION AT BEGINNING OF YEAR.....	71,659,924	1,380,863	783,873
NET POSITION AT END OF YEAR.....	\$ 82,305,953	\$ 1,720,389	\$ 817,559

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

In the Fiduciary Funds:

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

Availability of Financial Information for Component Units

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

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

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

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

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

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

The following fiduciary fund types are reported:

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

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

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

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

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

Water and Sewer

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

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

Departmental and Other

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

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

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

Governmental Fund Financial Statements

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

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. In 2014, the Town reported the deferred loss on refunding as a deferred outflow.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. In 2014, the Town reported advanced collections and the light plant rate stabilization reserve as deferred inflows.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

I. Unavailable Revenue

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

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

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

Net position has been “restricted for” the following:

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

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

“Other purposes” represents restrictions placed on assets from outside parties.

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

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

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

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

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Investment Income

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

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

O. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

P. Use of Estimates*Government-Wide and Fund Financial Statements*

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

Q. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$42,461,710 and the bank balance totaled \$43,676,065. Of the bank balance, \$2,059,066 was covered by Federal Depository Insurance, \$29,623,249 was covered by the Depositors Insurance Fund, \$3,897,388 was collateralized, and \$8,096,362 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2013, the carrying amount of the Retirement System's deposits totaled \$110,942 and the bank balance totaled \$221,435. All of the bank balance was covered by Federal Depository Insurance.

Investments

Following are the investments of the Town as of June 30, 2014 and the Retirement System as of December 31, 2013.

Town's Investments:

Investment Type	Fair Value	Maturity			Quality Rating
		Under 1 Year	1-5 Years	6-10 Years	
<u>Debt Securities</u>					
U.S. Treasury Note.....	\$ 237,248	\$ -	\$ 237,248	\$ -	AAA
Corporate Bonds.....	1,443,720	797,446	497,615	148,659	A/AA/NR
Federal National Mortgage Association.....	216,176	-	216,176	-	AAA
Federal Home Loan Mortgage Corp.....	113,602	-	113,602	-	AAA
Total Debt Securities.....	2,010,746	\$ 797,446	\$ 1,064,641	\$ 148,659	
<u>Other Investments</u>					
Equity Securities.....	2,891,291				
Negotiable Certificates of Deposit.....	13,701,047				
Mutual Funds.....	1,520,923				
Money Market Mutual Funds.....	2,657,594				
MMDT.....	11,205,999				
Total Investments.....	\$ 33,987,600				

Retirement System’s Investments:

	Fair Value	Maturity		Quality Rating
		1-5 Years	6-10 Years	
<u>Debt Securities</u>				
Scout Core Plus Bond Fund.....	\$ 11,528,685	\$ 11,528,685	\$ -	AA *
Mondrian Global Fixed Income.....	1,875,833	-	1,875,833	AA *
Total Debt Securities.....	13,404,518	\$ 11,528,685	\$ 1,875,833	
<u>Other Investments</u>				
Equity Mutual Funds.....	11,921,755			
Equity Securities.....	14,242,766			
PRIT Hedge Fund Account.....	9,189,207			
PRIT Alternative Fund.....	9,183,565			
Short Term Investment Fund.....	1,404,787			
PRIT Real Estate Fund.....	9,122,401			
PRIT International Equity Fund.....	8,558,669			
PRIT Fund.....	1,821,534			
Total Investments.....	\$ 78,849,202			

* Duration of underlying holdings in Scout Core Mutual Fund is 5.0 years and Mondrian Global Fixed Income Fund is 5.1 years.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form. Of the Town’s investments in U.S. Treasury Notes, corporate bonds, asset backed securities, and equity securities, as detailed above the Town has a custodial credit risk exposure of \$4,902,037 because the related securities are uninsured, unregistered and held by the counterparty.

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

The Retirement System has custodial credit risk exposure of \$14,242,766 because the related debt and equity securities are uninsured, unregistered and held by the counterparty.

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

Interest Rate Risk

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

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

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

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .25 to 10.78 years.

Credit Risk

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

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

Concentration of Credit Risk

The Town places a limit of 10% on the amount the Town may invest in any one issuer. The Town does not have more than 10% of its investments with any one issuer as of June 30, 2014.

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

Foreign Currency Risk

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

NOTE 3 – RECEIVABLES

At June 30, 2014, receivables for the individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 684,010	\$ (3,125)	\$ 680,885
Real estate tax deferrals.....	686,321	-	686,321
Tax liens.....	938,744	-	938,744
Motor vehicle and other excise taxes.....	418,226	(234,881)	183,345
Departmental and other.....	656,406	(226,165)	430,241
Intergovernmental.....	2,122,554	-	2,122,554
 Total.....	 <u>\$ 5,506,261</u>	 <u>\$ (464,171)</u>	 <u>\$ 5,042,090</u>

At June 30, 2014, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user fees.....	\$ 1,180,416	\$ -	\$ 1,180,416
Water enterprise tax liens.....	11,913	-	11,913
Sewer user fees.....	1,756,442	-	1,756,442
Sewer enterprise tax liens.....	18,969	-	18,969
Light user fees.....	1,498,182	-	1,498,182
 Total.....	 <u>\$ 4,465,922</u>	 <u>\$ -</u>	 <u>\$ 4,465,922</u>

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

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>				
Real estate, personal property and tax deferrals....	\$ 2,479,104	\$ 26,804	\$ -	\$ 2,505,908
Tax liens.....	938,744	-	-	938,744
Motor vehicle and other excise.....	183,345	-	-	183,345
Intergovernmental.....	331,000	207,000	1,265,352	1,803,352
Departmental.....	417,711	-	12,530	430,241
 Total.....	 <u>\$ 4,349,904</u>	 <u>\$ 233,804</u>	 <u>\$ 1,277,882</u>	 <u>\$ 5,861,590</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 16,194,930	\$ -	\$ -	\$ 16,194,930
Construction in progress.....	315,670	135,955	(315,670)	135,955
Total capital assets not being depreciated.....	<u>16,510,600</u>	<u>135,955</u>	<u>(315,670)</u>	<u>16,330,885</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	3,829,794	339,896	-	4,169,690
Buildings.....	130,940,609	740,805	-	131,681,414
Machinery and equipment.....	13,143,409	452,576	-	13,595,985
Vehicles.....	4,748,902	107,628	-	4,856,530
Infrastructure.....	34,244,878	1,598,133	-	35,843,011
Total capital assets being depreciated.....	<u>186,907,592</u>	<u>3,239,038</u>	<u>-</u>	<u>190,146,630</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,354,496)	(128,605)	-	(2,483,101)
Buildings.....	(40,822,512)	(2,111,094)	-	(42,933,606)
Machinery and equipment.....	(10,480,830)	(1,033,953)	-	(11,514,783)
Vehicles.....	(3,710,650)	(317,299)	-	(4,027,949)
Infrastructure.....	(9,213,397)	(729,195)	-	(9,942,592)
Total accumulated depreciation.....	<u>(66,581,885)</u>	<u>(4,320,146)</u>	<u>-</u>	<u>(70,902,031)</u>
Total capital assets being depreciated, net.....	<u>120,325,707</u>	<u>(1,081,108)</u>	<u>-</u>	<u>119,244,599</u>
Total governmental activities capital assets, net.....	<u>\$ 136,836,307</u>	<u>\$ (945,153)</u>	<u>\$ (315,670)</u>	<u>\$ 135,575,484</u>

Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,138	\$ -	\$ -	\$ 3,138
Construction in progress.....	825,510	-	(825,510)	-
Total capital assets not being depreciated.....	828,648	-	(825,510)	3,138
<u>Capital assets being depreciated:</u>				
Land improvements.....	7,822	-	-	7,822
Buildings.....	519,034	-	-	519,034
Machinery and equipment.....	551,499	-	-	551,499
Vehicles.....	896,812	22,830	-	919,642
Infrastructure.....	29,054,546	1,929,612	-	30,984,158
Total capital assets being depreciated.....	31,029,713	1,952,442	-	32,982,155
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,822)	-	-	(7,822)
Buildings.....	(162,197)	(7,701)	-	(169,898)
Machinery and equipment.....	(460,868)	(60,886)	-	(521,754)
Vehicles.....	(691,164)	(57,960)	-	(749,124)
Infrastructure.....	(18,638,232)	(180,942)	-	(18,819,174)
Total accumulated depreciation.....	(19,960,283)	(307,489)	-	(20,267,772)
Total capital assets being depreciated, net.....	11,069,430	1,644,953	-	12,714,383
Total business-type activities capital assets, net.....	\$ 11,898,078	\$ 1,644,953	\$ (825,510)	\$ 12,717,521
Sewer:				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 1,133,504	\$ 119,414	\$ -	\$ 1,252,918
Vehicles.....	524,185	62,806	-	586,991
Infrastructure.....	22,558,256	2,838,244	-	25,396,500
Total capital assets being depreciated.....	24,215,945	3,020,464	-	27,236,409
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(941,302)	(157,876)	-	(1,099,178)
Infrastructure.....	(3,029,603)	(332,367)	-	(3,361,970)
Total accumulated depreciation.....	(3,970,905)	(490,243)	-	(4,461,148)
Total business-type activities capital assets, net.....	\$ 20,245,040	\$ 2,530,221	\$ -	\$ 22,775,261

	Beginning Balance	Increases	Decreases	Ending Balance
Light:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,349	\$ -	\$ -	\$ 9,349
Construction in progress.....	7,351,221	2,974,013	-	10,325,234
Total capital assets not being depreciated.....	<u>7,360,570</u>	<u>2,974,013</u>	<u>-</u>	<u>10,334,583</u>
<u>Capital assets being depreciated:</u>				
Distribution Plant.....	17,028,543	239,326	(334,111)	16,933,758
General Plant.....	8,247,999	466,689	(5,000)	8,709,688
Total capital assets being depreciated.....	<u>25,276,542</u>	<u>706,015</u>	<u>(339,111)</u>	<u>25,643,446</u>
<u>Less accumulated depreciation for:</u>				
Distribution Plant.....	(13,520,339)	(852,361)	334,111	(14,038,589)
General Plant.....	(4,748,833)	(411,466)	5,000	(5,155,299)
Total accumulated depreciation.....	<u>(18,269,172)</u>	<u>(1,263,827)</u>	<u>339,111</u>	<u>(19,193,888)</u>
Total capital assets being depreciated, net.....	<u>7,007,370</u>	<u>(557,812)</u>	<u>-</u>	<u>6,449,558</u>
Total business-type activities capital assets, net.....	<u>\$ 14,367,940</u>	<u>\$ 2,416,201</u>	<u>\$ -</u>	<u>\$ 16,784,141</u>

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

Governmental Activities:

General government.....	\$ 571,768
Public safety.....	739,598
Education.....	2,138,542
Public works.....	770,642
Human services.....	24,532
Culture and recreation.....	<u>75,064</u>
Total depreciation expense - governmental activities.....	<u>\$ 4,320,146</u>

Business-Type Activities:

Water.....	\$ 307,489
Sewer.....	490,243
Light.....	<u>1,263,827</u>
Total depreciation expense - business-type activities.....	<u>\$ 2,061,559</u>

NOTE 5 – CAPITAL LEASES

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

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

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 2,141,096
Less: accumulated depreciation.....	<u>(1,437,786)</u>
Total.....	<u>\$ 703,310</u>

The future minimum lease obligation and the net present value of the minimum lease payment at June 30, 2014, follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2015.....	\$ 317,997
2016.....	317,997
2017.....	<u>99,069</u>
Total minimum lease payments.....	735,063
Less: amounts representing interest.....	<u>(34,032)</u>
Present value of minimum lease payments.....	<u>\$ 701,031</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2014, the Town had an interfund receivable and payable between the general fund and the Wellington school construction capital project fund in the amount of \$108,666. The purpose of this balance was to cover a deficit cash balance for cash flow purposes.

Interfund transfers for the year ended June 30, 2014, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund.....	\$ -	\$ 2,411,000	\$ 2,411,000 (1)
Nonmajor Governmental Funds...	225,000	251,432	476,432 (2)
Water Enterprise Fund.....	160,250	-	160,250 (3)
Sewer Enterprise Fund.....	126,875	-	126,875 (3)
Light Enterprise Fund.....	<u>650,000</u>	<u>-</u>	<u>650,000 (4)</u>
Total.....	<u>\$ 1,162,125</u>	<u>\$ 2,662,432</u>	<u>\$ 3,824,557</u>

- (1) Transfers represent amounts voted to fund various capital projects.
- (2) Transfers represent amounts voted from receipts reserved for appropriation to fund the operating budget and amounts between various non-major funds.
- (3) Transfers represent the reimbursement of indirect costs from the Water and Sewer enterprise funds.
- (4) Transfers represent amounts related to a payment in lieu of taxes.

NOTE 7 – SHORT-TERM FINANCING

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

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

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

Short-term debt outstanding as of June 30, 2014 was as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
BAN	Light - Bond Anticipation Note.....	1.25%	05/25/14	\$ 14,000,000	\$ -	\$ -	\$ 14,000,000
BAN	Sewer - MCWT Interim Loan.....	0.11%	12/31/14	-	1,911,539	-	1,911,539
Total short-term debt.....				\$ 14,000,000	\$ 1,911,539	\$ -	\$ 15,911,539

NOTE 8 - LONG-TERM DEBT

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

In prior years, certain general obligation bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. During 2014, the remaining balances of the defeased debt outstanding was callable and ultimately paid off. Therefore, there is no outstanding balance for defeased debt at June 30, 2014.

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements follow.

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Septic Loan 97-2002.....	2020	\$ 60,160	0.00	\$ 22,053	\$ -	\$ 3,191	\$ 18,862
Fire Station Construction.....	2024	8,500,000	3.00-5.00	425,000	-	425,000	-
Fire Land Acquisition.....	2024	1,500,000	3.00-5.00	75,000	-	75,000	-
Communications Tower.....	2014	126,000	3.00-5.00	10,000	-	10,000	-
Fire Station Construction.....	2026	2,030,000	3.00-5.00	1,300,000	-	100,000	1,200,000
Land Acquisition.....	2025	780,000	4.00-6.00	480,000	-	40,000	440,000
Senior Center.....	2026	3,310,000	5.00	2,530,000	-	195,000	2,335,000
High School HVAC.....	2014	600,000	3.50	120,000	-	120,000	-
2010 Debt Refunding.....	2015	5,455,000	2.70	2,200,000	-	1,100,000	1,100,000
Wellington Elementary School.....	2035	26,700,000	2.00-3.00	24,580,000	-	745,000	23,835,000
2012 Debt Refunding.....	2024	9,956,000	3.00-5.00	9,956,000	-	551,000	9,405,000
School Department Vehicle.....	2020	30,000	3.00-4.00	-	30,000	-	30,000
Ladder Truck.....	2024	890,000	3.00-5.00	-	890,000	-	890,000
Fire Engine.....	2024	500,000	3.00-5.00	-	500,000	-	500,000
Harris Field Repairs.....	2024	960,000	3.00-5.00	-	960,000	-	960,000
Total Bonds Payable.....				41,698,053	2,380,000	3,364,191	40,713,862
Add: unamortized premium.....				<u>2,049,039</u>	-	<u>129,647</u>	<u>1,919,392</u>
Total.....				\$ 43,747,092	\$ 2,380,000	\$ 3,493,838	\$ 42,633,254

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

Year	Principal	Interest	Total
2015.....	\$ 3,448,191	\$ 1,656,133	\$ 5,104,324
2016.....	2,358,134	1,486,717	3,844,851
2017.....	2,378,134	1,382,204	3,760,338
2018.....	2,403,134	1,281,374	3,684,508
2019.....	2,438,134	1,188,330	3,626,464
2020.....	2,463,135	1,096,807	3,559,942
2021.....	2,475,000	994,939	3,469,939
2022.....	2,520,000	896,286	3,416,286
2023.....	2,555,000	796,026	3,351,026
2024.....	2,070,000	697,201	2,767,201
2025.....	1,435,000	618,851	2,053,851
2026.....	1,435,000	561,275	1,996,275
2027.....	1,190,000	509,400	1,699,400
2028.....	1,240,000	461,800	1,701,800
2029.....	1,290,000	412,200	1,702,200
2030.....	1,345,000	360,600	1,705,600
2031.....	1,400,000	306,800	1,706,800
2032.....	1,465,000	250,800	1,715,800
2033.....	1,530,000	192,200	1,722,200
2034.....	1,600,000	131,000	1,731,000
2035.....	<u>1,675,000</u>	<u>67,000</u>	<u>1,742,000</u>
Total.....	\$ 40,713,862	\$ 15,347,943	\$ 56,061,805

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
MWRA Water Main.....	2014	\$ 650,000	0.00	\$ 65,000	\$ -	\$ 65,000	\$ -
MWRA Water.....	2018	714,000	0.00	357,000	-	71,400	285,600
MWRA Water.....	2019	872,000	0.00	523,200	-	87,200	436,000
MWRA Water.....	2021	1,977,570	0.00	1,483,180	-	197,756	1,285,424
MWRA Water.....	2022	1,000,000	0.00	900,000	-	100,000	800,000
MWRA Water.....	2023	500,000	0.00	500,000	-	50,000	450,000
MWRA Water.....	2024	500,000	0.00	-	500,000	-	500,000
General Obligation Bonds of 2014...	2034	482,000	2.75-4.00	-	482,000	-	482,000
Total Water.....				3,828,380	982,000	571,356	4,239,024
MWRA Sewer.....	2014	3,754,230	0.00	75,086	-	75,086	-
Sewer & Surface Drains.....	2027	2,479,000	4.10-5.00	1,715,000	-	125,000	1,590,000
MCWT Sewer.....	2031	7,226,667	2.00	6,627,014	-	308,942	6,318,072
MCWT Sewer.....	2017	559,406	0.00	447,525	-	111,881	335,644
MCWT Sewer.....	2033	1,579,600	2.00	1,579,600	-	63,896	1,515,704
Total Sewer.....				10,444,225	-	684,805	9,759,420
Total Enterprise.....				\$ 14,272,605	\$ 982,000	\$ 1,256,161	\$ 13,998,444

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

Water Enterprise

Year	Principal	Interest	Total
2015.....	\$ 583,358	\$ 17,860	\$ 601,218
2016.....	581,356	17,238	598,594
2017.....	581,358	16,238	597,596
2018.....	581,356	15,488	596,844
2019.....	509,958	14,488	524,446
2020.....	422,759	13,488	436,247
2021.....	323,879	12,488	336,367
2022.....	225,000	11,488	236,488
2023.....	125,000	10,488	135,488
2024.....	75,000	9,488	84,488
2025.....	25,000	8,238	33,238
2026.....	25,000	7,488	32,488
2027.....	25,000	6,800	31,800
2028.....	25,000	5,800	30,800
2029.....	25,000	5,050	30,050
2030.....	25,000	4,050	29,050
2031.....	20,000	3,050	23,050
2032.....	20,000	2,250	22,250
2033.....	20,000	1,600	21,600
2034.....	20,000	800	20,800
Total.....	\$ 4,239,024	\$ 183,878	\$ 4,422,902

Sewer Enterprise

Year	Principal	Interest	Total
2015.....	\$ 617,349	\$ 221,603	\$ 838,952
2016.....	625,136	208,760	833,896
2017.....	633,083	194,665	827,748
2018.....	529,309	180,409	709,718
2019.....	537,583	167,083	704,666
2020.....	546,028	153,624	699,652
2021.....	554,645	139,961	694,606
2022.....	563,438	126,029	689,467
2023.....	572,411	111,859	684,270
2024.....	581,568	97,505	679,073
2025.....	585,914	82,968	668,882
2026.....	595,450	68,454	663,904
2027.....	585,182	53,748	638,930
2028.....	495,112	39,695	534,807
2029.....	505,248	29,692	534,940
2030.....	515,589	19,484	535,073
2031.....	526,144	9,066	535,210
2032.....	94,093	2,863	96,956
2033.....	96,138	961	97,099
Total.....	\$ <u>9,759,420</u>	\$ <u>1,908,429</u>	\$ <u>11,667,849</u>

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During year 2014, approximately \$555,000 of such assistance was received and approximately \$383,000 will be received in future years. Of this amount, approximately \$52,000 represents reimbursement of long-term interest costs, and approximately \$331,000 represents reimbursement of approved construction costs. Accordingly, a \$331,000 intergovernmental receivable and corresponding deferred inflow of resources have been reported in governmental fund financial statements. The deferred inflow of resources has been recognized as revenue in the conversion to the government-wide financial statements.

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

At June 30, 2014, the Town had the following authorized and unissued debt:

Purpose	Amount
Wellington school.....	\$ 2,638,586
Fire station.....	115,398
Water.....	4,645,000
Underwood pool facility.....	2,902,000
Municipal light plant construction.....	<u>27,600,000</u>
Total.....	\$ <u>37,900,984</u>

Changes in Long-Term Liabilities

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

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 41,698,053	\$ 2,380,000	\$ (3,364,191)	\$ 40,713,862	\$ 3,448,191
Add: unamortized premium.....	2,049,039	-	(129,647)	1,919,392	129,647
Total Bonds Payable.....	43,747,092	2,380,000	(3,493,838)	42,633,254	3,577,838
Other Postemployment Benefits.....	53,375,326	17,910,034	(4,879,085)	66,406,275	-
Landfill Closure.....	3,044,200	926,800	(824,000)	3,147,000	52,000
Compensated Absences.....	1,404,727	61,471	(70,236)	1,395,962	69,798
Capital Leases.....	988,931	-	(287,900)	701,031	297,078
Total governmental activity long-term liabilities.....	<u>\$ 102,560,276</u>	<u>\$ 21,278,305</u>	<u>\$ (9,555,059)</u>	<u>\$ 114,283,522</u>	<u>\$ 3,996,714</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 14,272,605	\$ 982,000	\$ (1,256,161)	\$ 13,998,444	\$ 1,200,707
Other Postemployment Benefits.....	4,256,184	1,450,043	(466,734)	5,239,493	-
Compensated Absences.....	293,058	45,265	(14,651)	323,672	16,183
Total business type activity long-term liabilities.....	<u>\$ 18,821,847</u>	<u>\$ 2,477,308</u>	<u>\$ (1,737,546)</u>	<u>\$ 19,561,609</u>	<u>\$ 1,216,890</u>

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

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

At year end, the balance of the General Stabilization Fund is \$7,245 and is reported as unassigned fund balance within the general fund; the balance of the Ash Landfill Stabilization Fund is \$3,376,536 and the balance of the Special Education Stabilization Fund is \$251,855, both of these are reported as committed fund balance within the general fund.

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

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

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

	GOVERNMENTAL FUNDS				
	General	Wellington School Construction	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 2,708,722	\$ 2,708,722
Restricted for:					
Community Preservation Fund.....	-	-	3,007,240	-	3,007,240
Nonmajor governmental funds.....	-	-	-	12,679,288	12,679,288
Committed to:					
Ash Landfill Stabilization Fund.....	3,376,536	-	-	-	3,376,536
Special Education Stabilization Fund.....	251,855	-	-	-	251,855
Assigned to:					
General government.....	413,976	-	-	-	413,976
Public safety.....	49,445	-	-	-	49,445
Education.....	146,209	-	-	-	146,209
Public works.....	180,187	-	-	-	180,187
Human services.....	470	-	-	-	470
Free cash used for 2015 appropriations.....	1,880,000	-	-	-	1,880,000
Release of overlay for 2015 budget.....	235,000	-	-	-	235,000
Free cash used to offset 2015 property tax debt exclusion.....					
Free cash used to offset 2015 property tax debt exclusion principal and interest.....	60,897	-	-	-	60,897
Free cash used to offset future property tax debt exclusion principal and interest.....	219,392	-	-	-	219,392
Free cash used for the 2015 OPEB contribution.....	264,882	-	-	-	264,882
Unassigned to:					
Kendall School Fire.....	3,042,955	-	-	-	3,042,955
Other unassigned.....	9,397,833	(108,666)	-	-	9,289,167
TOTAL FUND BALANCES.....	\$ 19,519,637	\$ (108,666)	\$ 3,007,240	\$ 15,388,010	\$ 37,806,221

NOTE 10 – LANDFILL CLOSURE

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town operated a solid waste landfill that ceased operations in 1973. The Town has reflected \$3.15 million as the estimate of the landfill closure liability at June 30, 2014. This amount is based on estimates of what it would cost to perform all future closure and post closure care in year 2014.

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

NOTE 11 – RISK FINANCING

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

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

Health Insurance

The Town estimates Incurred But Not Reported (IBNR) claims based on an approximate two month claims paid average. The Town purchases individual stop loss insurance for claims in excess of the \$100,000 coverage provided by the Town. At June 30, 2014, the amount of the liability for health insurance claims totaled \$1,650,000.

Changes in the reported liability since July 1, 2012, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2014..... \$	1,800,000	\$ 12,034,394	\$ (12,184,394)	\$ 1,650,000
2013.....	1,600,000	13,765,146	(13,565,146)	1,800,000

Insurance

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

Workers' Compensation

The Town participates in a premium based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's liability related to incurred but not reported claims for police officers and/or firefighters workers compensation is not material at June 30, 2014, and is therefore not reported.

General Liability

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

NOTE 12 - PENSION PLAN

Plan Description - The Town contributes to the Belmont Contributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Belmont Contributory Retirement Board. All employees working twenty five or more hours a week are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$9,193,987 for the year ended June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Belmont Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth’s PERAC, as well as, an audited financial report. Both of these reports may be obtained by contacting the System located at Town Hall, 455 Concord Ave., Belmont, Massachusetts 02478.

At December 31, 2013, the System’s membership consists of the following:

	<u>2013</u>
Active members.....	473
Inactive members.....	151
Disabled members.....	44
Retirees and beneficiaries currently receiving benefits.....	<u>322</u>
Total.....	<u><u>990</u></u>

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

Annual Pension Cost - The Town’s contributions to the System for the years ended June 30, 2014, 2013, and 2012 were approximately \$6,899,000, \$6,466,000, and \$6,062,000, respectively, which equaled its required contribution for each year. The required contribution was determined as part of the January 1, 2012, actuarial valuation using the individual entry age normal actuarial cost method. The actuarial assumptions included a 7.75% investment rate of return and projected salary increases of 3.75% - 6% per year for non-public safety employees and 4.25% - 7% per year for fire and police employees; and annual cost of living adjustments of 3%. The actuarial value of the System’s assets was determined using the fair value of the assets. The System’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2012, was 15 years.

Schedule of Funding Progress

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

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

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. Retired plan members and beneficiaries currently receiving benefits are required to contribute 20% of the costs of benefits for the HMO and 50% of cost of benefits for the PPO plans if they are not participating in the Medicare Plan. Medicare eligible retirees and their spouses contribute 50% of the cost of the Medicare Enhance Supplement plan and the First Seniority. For year 2014, the Town contributed \$5.3 million to the plan.

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

The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$	20,304,505
Interest on net OPEB obligation.....		2,593,418
Adjustment to annual required contribution.....		<u>(3,537,846)</u>
Annual OPEB cost (expense).....		19,360,077
Contributions made.....		<u>(5,345,819)</u>
Increase in net OPEB obligation.....		14,014,258
Net OPEB obligation - beginning of year.....		<u>57,631,510</u>
Net OPEB obligation - end of year.....	\$	<u><u>71,645,768</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year 2014 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 19,360,077	28%	\$ 71,645,768
6/30/2013	18,237,509	25%	57,631,510
6/30/2012	18,525,794	43%	43,975,829

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$196.0 million, of which was the Town has funded approximately \$1.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$44.0 million, and the ratio of the UAAL to the covered payroll was 442%.

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

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

In the July 1, 2012, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10% initially, graded to 5% over 5 years. The UAAL is being amortized using level dollar open method over the maximum acceptable period of 30 years. The remaining amortization period at June 30, 2014 is 30 years.

NOTE 14 - COMMITMENTS

The Town has entered into, or is planning to enter into contracts totaling approximately \$37.9 million related to water and sewer infrastructure upgrades, for education and public safety vehicles, construction of a fire station, construction of a new municipal light plant, and for construction of the new Wellington School.

NOTE 15 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2014, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

NOTE 16 – FUTURE IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include the presentation of deferred outflows and inflows in the Statement of Net Position and Balance Sheet. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in 2015.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.

- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 2015.

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

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		
	Amounts Carried forward From Prior Year	Original Budget	Final Budget
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 73,181,474	\$ 73,181,474
Tax liens.....	-	-	-
Motor vehicle and other excise taxes.....	-	2,650,000	2,650,000
Charges for services.....	-	2,030,097	2,030,097
Penalties and interest on taxes.....	-	180,000	180,000
Licenses and permits.....	-	756,390	756,390
Fines and forfeitures.....	-	148,435	148,435
Intergovernmental.....	-	8,425,556	8,425,556
Investment income.....	-	100,000	100,000
TOTAL REVENUES.....	-	87,471,952	87,471,952
EXPENDITURES:			
Current:			
General government.....	323,257	4,457,298	3,882,856
Public safety.....	40,306	12,358,957	12,791,621
Education.....	123,909	45,324,993	45,524,993
Public works.....	368,750	9,182,833	9,378,333
Human services.....	7,937	851,568	851,568
Culture and recreation.....	4,279	2,664,604	2,669,104
Pension benefits.....	-	5,634,285	5,634,285
Employee benefits.....	-	2,227,301	2,223,373
State and county charges.....	-	1,656,483	1,656,483
Debt service:			
Principal.....	-	3,364,191	3,364,191
Interest.....	-	1,671,836	1,671,836
TOTAL EXPENDITURES.....	868,438	89,394,349	89,648,643
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(868,438)	(1,922,397)	(2,176,691)
OTHER FINANCING SOURCES (USES):			
Premium from issuance of bonds.....	-	-	-
Transfers in.....	-	1,162,125	1,162,125
Transfers out.....	-	(2,411,000)	(2,411,000)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(1,248,875)	(1,248,875)
NET CHANGE IN FUND BALANCE.....	(868,438)	(3,171,272)	(3,425,566)
BUDGETARY FUND BALANCE, Beginning of year.....	-	11,332,716	11,332,716
BUDGETARY FUND BALANCE, End of year.....	\$ (868,438) \$	\$ 8,161,444	\$ 7,907,150

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 73,723,467	\$ -	\$ 541,993
489,554	-	489,554
3,273,897	-	623,897
2,194,716	-	164,619
389,566	-	209,566
1,170,923	-	414,533
269,294	-	120,859
8,680,809	-	255,253
181,685	-	81,685
<u>90,373,911</u>	<u>-</u>	<u>2,901,959</u>
3,414,808	233,714	234,334
12,235,301	49,445	506,875
45,378,655	146,209	129
8,912,397	180,187	285,749
818,828	470	32,270
2,582,155	-	86,949
5,634,285	-	-
1,896,831	180,262	146,280
1,678,335	-	(21,852)
3,364,191	-	-
1,619,336	-	52,500
<u>87,535,122</u>	<u>790,287</u>	<u>1,323,234</u>
<u>2,838,789</u>	<u>(790,287)</u>	<u>4,225,193</u>
298,180	-	298,180
1,162,125	-	-
(2,411,000)	-	-
<u>(950,695)</u>	<u>-</u>	<u>298,180</u>
1,888,094	(790,287)	4,523,373
11,332,716	-	-
<u>\$ 13,220,810</u>	<u>\$ (790,287)</u>	<u>\$ 4,523,373</u>

Other Postemployment Benefit Plan Schedules

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2014

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

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2014	\$ 20,304,505	\$ 5,345,819	26%
2013	19,375,232	4,581,828	24%
2012	18,970,005	7,905,784	42%
2011	18,153,513	7,387,738	41%
2010	16,797,954	7,041,276	42%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

YEAR ENDED JUNE 30, 2014

Actuarial Methods:

Valuation date	July 1, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, Open
Remaining amortization period	30 Years as of June 30, 2014
Asset valuation method	Market

Actuarial Assumptions:

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

Plan Membership:

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

See notes to required supplementary information.

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

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original year 2014 approved budget authorized approximately \$91.8 million in appropriations and other amounts to be raised.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2014, is presented below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 1,888,094
<u>Perspective difference:</u>	
Activity of the Stabilization Funds recorded in the General Fund for GAAP.....	18,771
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	24,000
Net change in recording 60-day receipts accrual.....	(90,286)
Recognition of revenue for on-behalf payments.....	(9,193,987)
Recognition of expenditures for on-behalf payments.....	<u>9,193,987</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 1,840,579</u>

C. Appropriation Deficit

During 2014, expenditures exceeded budgeted appropriations for state & county charges. This deficit will be funded with available funds in 2015.

NOTE B – OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

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