

***TOWN OF GEORGETOWN, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2014***

TOWN OF GEORGETOWN, MASSACHUSETTS

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JUNE 30, 2014

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Georgetown, 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 Georgetown, Massachusetts, as of and for the year ended June 30, 2014 (except for the Georgetown Municipal Light Department 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 Georgetown, Massachusetts' basic financial statements as listed in the table of contents.

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

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

## **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Georgetown Municipal Light Department, which represent 59 percent, 58 percent, and 77 percent, 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 Georgetown Municipal Light Department, 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 Georgetown, Massachusetts, as of June 30, 2014 (except for the Georgetown Municipal Light Department which is 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 March 23, 2015, on our consideration of the Town of Georgetown, 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 the 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 Georgetown, Massachusetts' internal control over financial reporting and compliance.



March 23, 2015

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of Georgetown (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2014. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Town of Georgetown's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all assets, deferred outflows, 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 is improving or deteriorating.

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

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

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

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

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

**Proprietary funds.** The Town maintains one type of proprietary fund.

*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 department, ambulance, and municipal light department.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town uses fiduciary funds to account for its OPEB trust fund, private purpose trust funds, and agency funds.

**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. The Town’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$43.5 million at the close of 2014.

	<u>2014</u>	<u>2013</u>
<b>Assets:</b>		
Current assets.....	\$ 39,961,426	\$ 14,963,393
Noncurrent assets (excluding capital).....	28,547	33,761
Capital assets.....	<u>55,358,266</u>	<u>35,273,362</u>
<b>Total assets.....</b>	<b><u>95,348,239</u></b>	<b><u>50,270,516</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	6,804,765	2,849,126
Noncurrent liabilities (excluding debt).....	5,890,349	5,430,446
Current debt.....	11,144,042	3,821,253
Noncurrent debt.....	<u>28,029,436</u>	<u>4,587,447</u>
<b>Total liabilities.....</b>	<b><u>51,868,592</u></b>	<b><u>16,688,272</u></b>
<b>Net Position:</b>		
Net investment in capital assets.....	38,710,754	28,849,398
Restricted.....	3,916,528	3,535,619
Unrestricted.....	852,365	1,197,217
<b>Total net position.....</b>	<b><u>\$ 43,479,647</u></b>	<b><u>\$ 33,582,234</u></b>

Assets increased by \$45.1 million due to increases in cash from both temporary and long term borrowing for the Penn Brook elementary school project and increased capital assets related to the Penn Brook School. The Town capitalized approximately \$20 million on the Penn Brook project during fiscal year 2014. Approximately \$10.3 million was recognized as capital grants from the Massachusetts School Building Authority (MSBA) for the reimbursement of project costs. Additionally, the Town permanently borrowed \$8.8 million that was held in cash at year end and used to pay outstanding BANs when they matured in fiscal year 2015. Liabilities increased by \$35.2 million which was also related mainly to the temporary and long term borrowing for the Penn Brook elementary school project.

The OPEB increase is the result of the recognition of the Governmental Accounting Standard's Board (GASB) Statement 45, which requires the Town to recognize a liability in governmental activities for its net other postemployment benefit obligation (OPEB). This liability, which equaled \$5.4 million, increased by \$520,000 in 2014.

Governmental net position of \$38.7 million (89%) 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 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. The increase of \$9.9 million is primarily related to capital grants received from the MSBA for the Penn Brook school project.

An additional portion of the net position, \$3.9 million (9%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$852,000 (2%), may be used to meet the government's ongoing obligations to citizens and creditors.

	<u>2014</u>	<u>2013</u>
<b>Program Revenues:</b>		
Charges for services.....	\$ 1,089,457	\$ 1,409,966
Operating grants and contributions.....	10,564,874	9,827,316
Capital grants and contributions.....	10,893,582	1,893,342
<b>General Revenues:</b>		
Real estate and personal property taxes.....	15,618,416	15,071,968
Tax liens.....	111,641	163,922
Motor vehicle excise taxes.....	1,266,397	1,163,600
Community preservation tax.....	349,947	338,070
Penalties and interest on taxes.....	72,455	52,789
Payments in lieu of taxes.....	49,724	49,545
Grants and contributions not restricted to specific programs.....	855,056	833,145
Unrestricted investment income.....	46,290	30,746
Other revenues.....	496,643	385,644
<b>Total revenues.....</b>	<b><u>41,414,482</u></b>	<b><u>31,220,053</u></b>
<b>Expenses:</b>		
General government.....	2,099,294	2,047,597
Public safety.....	3,290,968	3,454,025
Education.....	23,202,712	22,333,986
Public works.....	1,464,539	1,445,564
Community preservation.....	308,425	191,868
Human services.....	371,134	464,299
Culture and recreation.....	606,915	583,957
Interest.....	296,605	114,053
<b>Total expenses.....</b>	<b><u>31,640,592</u></b>	<b><u>30,635,349</u></b>
<b>Excess before transfers.....</b>	<b>9,773,890</b>	<b>584,704</b>
<b>Transfers.....</b>	<b><u>123,523</u></b>	<b><u>262,164</u></b>
<b>Change in net position.....</b>	<b><u>9,897,413</u></b>	<b><u>846,868</u></b>
<b>Net position at beginning of year.....</b>	<b><u>33,582,234</u></b>	<b><u>32,735,366</u></b>
<b>Net position at end of year.....</b>	<b><u>\$ 43,479,647</u></b>	<b><u>\$ 33,582,234</u></b>

The Town's governmental activities net position increased \$9.9 million in 2014. The key contributors to the increase were capital grants totaling \$10.9 million for school construction, community preservation, and highway projects; offset by a \$520,000 increase in the OPEB liability. There was a decrease in public safety expenses due to the creation of the ambulance enterprise fund. The ambulance expenditures were previously accounted for in an ambulance revolving fund which was included in governmental activities. Fiscal year 2014 is the first year the Town has recognized the ambulance fund as a business type activity. Interest expenses increased due to the Town making the first interest payment on the \$24 million school debt.

**Business-type Activities**

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15.4 million at the close of 2014.

	2014	2013
<b>Assets:</b>		
Current assets.....	\$ 5,865,512	\$ 5,153,597
Noncurrent assets (excluding capital).....	262,607	302,344
Capital assets.....	12,577,087	12,848,002
<b>Total assets.....</b>	<b>18,705,206</b>	<b>18,303,943</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,245,666	1,293,830
Noncurrent liabilities (excluding debt).....	272,410	284,644
Current debt.....	230,000	225,000
Noncurrent debt.....	1,530,000	1,760,000
<b>Total liabilities.....</b>	<b>3,278,076</b>	<b>3,563,474</b>
<b>Net Position:</b>		
Net investment in capital assets.....	11,119,431	11,202,940
Unrestricted.....	4,307,699	3,537,529
<b>Total net position.....</b>	<b>\$ 15,427,130</b>	<b>\$ 14,740,469</b>

Business type net position of \$11.1 million (72%) represents net investment in capital assets. The remaining \$4.3 million (28%) is available to be used for the ongoing operation of the Town's water, ambulance and Municipal Light departments.

During 2014 the Town established the ambulance enterprise fund. This was originally accounted for by the Town as a revolving fund and reported as a nonmajor governmental fund. The prior year balance of \$139,000 in the revolving fund was transferred into the ambulance enterprise fund.

As shown in the following table, net position of the business-type activities increased \$687,000. This consisted of a \$127,000 increase in the net position of the Water Department, a \$402,000 increase in the Ambulance Enterprise, and a \$158,000 increase in net position of Municipal Light Department. The increase in the Water Department is mainly the result of operating revenues assigned to meet current operating expenditures and principal payments on debt. The increase in the ambulance is partially from the initial transfer in to create the new enterprise fund and partially the result of the first year of operations. The Municipal Light Department's has transferred funds to an Other Postemployment Benefits (OPEB) Trust Fund to begin the process of pre-funding its OPEB liability. This contribution totaled approximately \$165,000 for 2014. The Municipal Light Department's financial position is reported as of December 31, 2013.

	<u>2014</u>	<u>2013</u>
<b>Program Revenues:</b>		
Charges for services.....	\$ 8,812,165	\$ 8,105,804
Operating grants and contributions.....	35,681	33,711
<b>General Revenues:</b>		
Unrestricted investment income.....	10,830	8,606
<b>Total revenues.....</b>	<b><u>8,858,676</u></b>	<b><u>8,148,121</u></b>
<b>Expenses:</b>		
Water.....	1,175,144	1,167,810
Ambulance.....	211,834	-
Electric Light.....	6,661,514	6,517,424
<b>Total expenses.....</b>	<b><u>8,048,492</u></b>	<b><u>7,685,234</u></b>
<b>Excess before transfers.....</b>	<b>810,184</b>	<b>462,887</b>
<b>Transfers.....</b>	<b><u>(123,523)</u></b>	<b><u>(262,164)</u></b>
<b>Change in net position.....</b>	<b><u>686,661</u></b>	<b><u>200,723</u></b>
<b>Net position at beginning of year.....</b>	<b><u>14,740,469</u></b>	<b><u>14,539,746</u></b>
<b>Net position at end of year.....</b>	<b>\$ <u>15,427,130</u></b>	<b>\$ <u>14,740,469</u></b>

At the end of the current year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

### ***Financial Analysis of the Government's Funds***

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$22.5 million, an increase of \$15.5 million from the prior year. This is attributable to increases in the general fund of \$532,000, Community Preservation Act fund of \$112,000, Penn Brook school construction of \$14.7 million and nonmajor funds of \$191,000.

The general fund is the chief operating fund. At the end of the current year, the unassigned fund balance of the general fund totaled \$3.4 million, and the total fund balance equaled \$3.5 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 approximately 12.5% of general fund expenditures, while total fund balance represents approximately 12.7% of that same amount. The Town's assigned and committed fund balances consists of \$34,000 in encumbrances and \$29,000 in amounts appropriated for compensated absences, respectively. The unassigned balance of the general fund includes \$1.4 million in stabilization funds.

The Town has adopted the Community Preservation Act (CPA) which allows the Town to impose a surcharge on property taxes and to receive matching state 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 CPA requires that the Town spend or set aside for later spending a minimum of ten percent of annual revenues for open space, a minimum of ten percent of annual revenues for historic resources and a minimum of ten percent of annual revenues for community housing. As of June 30, 2014, the Town has a balance of \$3.5 million in unspent CPA funds which are classified as a major governmental fund in the fund-based financial statements. During 2014, the Town reported \$350,000 in surcharges, \$9,000 in investment earnings, and \$193,000 in state matching funds. Expenditures in 2014 totaled \$440,000.

In 2013, the Town passed, by special election, an override of Proposition 2 ½ allowing for the construction of the new Penn Brook Elementary School. The total project is estimated to cost approximately \$46 million, of which the Town will be reimbursed by the MSBA for 54.76% of eligible project costs. The Town issued \$24 million in bond proceeds in the current year toward their portion of the project. The Town expended \$19.4 million and received state reimbursements totaling \$10.1 million toward project costs.

The Town also maintains three stabilization funds, which are classified within the general fund. These stabilization funds had a year-end balance of \$1.5 million which represents 5.3% of general fund expenditures. These funds can be used for general or capital purposes upon Town Meeting approval. Please refer to Note 9 for additional information on the Town's stabilization funds.

### ***General Fund Budgetary Highlights***

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The \$800,000 increase between the original budget and the final amended budget was due to additional appropriations for public works and employee benefits and transfers to the Town's capital projects, community preservation and stabilization funds.

The Town's original budget totaled \$24.4 million and included \$111,000 in amounts carried over from 2013 and the use of \$227,000 in available fund balance (free cash). During 2014, the budget was increased to \$25.2 million and included the use of \$936,000 in free cash appropriations and \$91,000 in overlay surplus. Actual revenues came in higher than budgeted by \$416,000. All categories of revenue exceeded budget estimates with the exception of real estate and personal property taxes and payments in lieu of taxes. Total expenditures were under budget by \$251,000. Expenditures exceeded the budget for state and county assessments.

### ***Capital Asset and Debt Administration***

In conjunction with the operating budget, the Town's Capital Improvement Committee (CIP Committee) has requested a 5 year Capital Improvement Plan from each department. The CIP Committee submits annual recommendations to the Finance Committee for capital items that are put on the Town Warrant for the Annual Town Meeting.

During 2014 the Town expended \$21.5 million on governmental activities capital assets consisting mainly of construction in progress for the Penn Brook Elementary School, infrastructure which is mainly road and culvert improvements, equipment and vehicles. The business type activities expended \$173,000, all of which related to the Municipal Light Department.

Outstanding long-term debt of the general government, as of June 30, 2014, totaled \$28.6 million, of which \$24.8 million is related to school projects; \$1.3 million is related to the library addition; \$2 million is related to the ESCO projects, leaving a balance of \$398,000 for other capital projects.

The Water enterprise fund and Municipal Light Plant have \$1.3 million and \$480,000 of debt, respectively, all of which is fully supported by the rates and is not reliant on a general fund subsidy.

Please refer to notes 4, 6, 7 and 8 in the financial statements for further discussion of the major capital and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Georgetown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant at Memorial Town Hall, One Library Street, Georgetown, MA 01833-2086.

# ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2014

	<b>Primary Government</b>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 31,869,022	\$ 2,453,379	\$ 34,322,401
Restricted cash and cash equivalents.....	-	1,377,437	1,377,437
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	91,070	-	91,070
Tax liens.....	579,799	-	579,799
Motor vehicle excise taxes.....	53,875	-	53,875
Water fees.....	-	396,167	396,167
Ambulance fees.....	-	184,219	184,219
Electric light fees.....	-	792,145	792,145
Departmental and other.....	53,497	-	53,497
Special assessments.....	2,035	-	2,035
Intergovernmental.....	7,312,128	39,737	7,351,865
Inventory.....	-	29,771	29,771
Purchased power advanced deposits.....	-	592,657	592,657
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	262,607	262,607
Loans.....	28,547	-	28,547
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	27,243,694	501,097	27,744,791
Depreciable.....	28,114,572	12,075,990	40,190,562
<b>TOTAL ASSETS.....</b>	<b>95,348,239</b>	<b>18,705,206</b>	<b>114,053,445</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	5,276,688	823,217	6,099,905
Accrued payroll.....	984,776	11,107	995,883
Tax refunds payable.....	71,036	-	71,036
Accrued interest.....	165,585	16,812	182,397
Payroll withholdings.....	150,246	-	150,246
Abandoned property.....	3,368	-	3,368
Other liabilities.....	2,077	-	2,077
Customer deposits payable.....	-	119,357	119,357
Capital lease obligations.....	111,989	-	111,989
Compensated absences.....	39,000	275,173	314,173
Notes payable.....	9,492,269	-	9,492,269
Bonds payable.....	1,651,773	230,000	1,881,773
<b>NONCURRENT:</b>			
Capital lease obligations.....	248,024	-	248,024
Compensated absences.....	257,000	-	257,000
Other postemployment benefits.....	5,385,325	272,410	5,657,735
Bonds payable.....	28,029,436	1,530,000	29,559,436
<b>TOTAL LIABILITIES.....</b>	<b>51,868,592</b>	<b>3,278,076</b>	<b>55,146,668</b>
<b>NET POSITION</b>			
Net investment in capital assets.....	38,710,754	11,119,431	49,830,185
Restricted for:			
Permanent funds:			
Expendable.....	1,624	-	1,624
Nonexpendable.....	5,000	-	5,000
Gifts and grants.....	3,909,904	-	3,909,904
Unrestricted.....	852,365	4,307,699	5,160,064
<b>TOTAL NET POSITION.....</b>	<b>\$ 43,479,647</b>	<b>\$ 15,427,130</b>	<b>\$ 58,906,777</b>

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	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 2,099,294	\$ 402,342	\$ 34,490	\$ -	\$ (1,662,462)
Public safety.....	3,290,968	136,016	182,555	-	(2,972,397)
Education.....	23,202,712	443,429	10,039,189	10,320,947	(2,399,147)
Public works.....	1,464,539	4,511	291,692	380,772	(787,564)
Community preservation.....	308,425	-	-	191,863	(116,562)
Human services.....	371,134	102,859	263	-	(268,012)
Culture and recreation.....	606,915	300	16,685	-	(589,930)
Interest.....	296,605	-	-	-	(296,605)
<b>Total Governmental Activities.....</b>	<b>31,640,592</b>	<b>1,089,457</b>	<b>10,564,874</b>	<b>10,893,582</b>	<b>(9,092,679)</b>
<i>Business-Type Activities:</i>					
Water.....	1,175,144	1,521,910	35,681	-	382,447
Ambulance.....	211,834	474,396	-	-	262,562
Electric Light.....	6,661,514	6,815,859	-	-	154,345
<b>Total Business-Type Activities.....</b>	<b>8,048,492</b>	<b>8,812,165</b>	<b>35,681</b>	<b>-</b>	<b>799,354</b>
<b>Total Primary Government.....</b>	<b>\$ 39,689,084</b>	<b>\$ 9,901,622</b>	<b>\$ 10,600,555</b>	<b>\$ 10,893,582</b>	<b>\$ (8,293,325)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(9,092,679)</b>	\$ <b>799,354</b>	\$ <b>(8,293,325)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	15,618,416	-	15,618,416
Tax liens.....	111,641	-	111,641
Motor vehicle excise taxes.....	1,266,397	-	1,266,397
Community preservation surcharge.....	349,947	-	349,947
Penalties and interest on taxes.....	72,455	-	72,455
Payments in lieu of taxes.....	49,724	-	49,724
Grants and contributions not restricted to specific programs.....	855,056	-	855,056
Unrestricted investment income.....	46,290	10,830	57,120
Miscellaneous.....	496,643	-	496,643
<i>Transfers, net</i> .....	123,523	(123,523)	-
Total general revenues and transfers.....	18,990,092	(112,693)	18,877,399
Change in net position.....	9,897,413	686,661	10,584,074
<i>Net Position:</i>			
Beginning of year.....	33,582,234	14,740,469	48,322,703
End of year.....	\$ <u>43,479,647</u>	\$ <u>15,427,130</u>	\$ <u>58,906,777</u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2014

	General	Community Preservation Fund	Penn Brook School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 4,903,516	\$ 3,646,288	\$ 20,998,943	\$ 2,320,275	\$ 31,869,022
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	91,070	-	-	-	91,070
Tax liens and foreclosures.....	574,425	4,671	-	703	579,799
Motor vehicle excise taxes.....	53,875	-	-	-	53,875
Departmental and other.....	-	-	-	53,497	53,497
Special assessments.....	-	2,035	-	-	2,035
Intergovernmental.....	-	192,755	5,433,268	1,686,105	7,312,128
Loans.....	-	-	-	28,547	28,547
Due from other funds.....	450,738	-	-	-	450,738
<b>TOTAL ASSETS.....</b>	<b>6,073,624</b>	<b>3,845,749</b>	<b>26,432,211</b>	<b>4,089,127</b>	<b>40,440,711</b>
<b>LIABILITIES</b>					
Warrants payable.....	756,009	45,013	4,029,894	445,772	5,276,688
Accrued payroll.....	951,089	-	-	33,687	984,776
Tax refunds payable.....	71,036	-	-	-	71,036
Payroll withholdings.....	150,246	-	-	-	150,246
Abandoned property.....	3,368	-	-	-	3,368
Other liabilities.....	2,077	-	-	-	2,077
Due to other funds.....	-	-	-	450,738	450,738
Notes payable.....	-	331,067	8,887,000	274,202	9,492,269
<b>TOTAL LIABILITIES.....</b>	<b>1,933,825</b>	<b>376,080</b>	<b>12,916,894</b>	<b>1,204,399</b>	<b>16,431,198</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues.....	662,216	6,706	-	823,900	1,492,822
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	5,000	5,000
Restricted.....	-	3,462,963	13,515,317	2,055,828	19,034,108
Committed.....	28,528	-	-	-	28,528
Assigned.....	33,619	-	-	-	33,619
Unassigned.....	3,415,436	-	-	-	3,415,436
<b>TOTAL FUND BALANCES.....</b>	<b>3,477,583</b>	<b>3,462,963</b>	<b>13,515,317</b>	<b>2,060,828</b>	<b>22,516,691</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 6,073,624</b>	<b>\$ 3,845,749</b>	<b>\$ 26,432,211</b>	<b>\$ 4,089,127</b>	<b>\$ 40,440,711</b>

See notes to basic financial statements.

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

JUNE 30, 2014

Total governmental fund balances.....	\$	22,516,691
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		55,358,266
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		1,492,822
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(165,585)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(29,681,209)	
Capital lease obligations.....	(360,013)	
Compensated absences.....	(296,000)	
Other postemployment benefits.....	<u>(5,385,325)</u>	
Net effect of reporting long-term liabilities.....		<u>(35,722,547)</u>
Net position of governmental activities.....	\$	<u>43,479,647</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	General	Community Preservation Fund	Penn Brook School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 15,654,752	\$ -	\$ -	\$ -	\$ 15,654,752
Tax liens.....	100,331	-	-	-	100,331
Motor vehicle excise taxes.....	1,251,758	-	-	-	1,251,758
Penalties and interest on taxes.....	69,719	-	-	-	69,719
Payments in lieu of taxes.....	49,724	-	-	-	49,724
Intergovernmental.....	8,981,262	192,755	10,109,452	2,534,875	21,818,344
Departmental and other.....	915,810	-	-	1,717,160	2,632,970
Special assessments.....	-	-	-	4,511	4,511
Community preservation surcharge.....	-	349,947	-	-	349,947
Contributions.....	-	-	-	4,192	4,192
Investment income.....	29,032	9,407	-	13,020	51,459
<b>TOTAL REVENUES.....</b>	<b>27,052,388</b>	<b>552,109</b>	<b>10,109,452</b>	<b>4,273,758</b>	<b>41,987,707</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	1,477,523	-	-	146,653	1,624,176
Public safety.....	2,035,755	-	-	290,186	2,325,941
Education.....	13,693,587	-	19,409,370	2,757,255	35,860,212
Public works.....	1,124,301	-	-	1,244,809	2,369,110
Community preservation.....	-	439,979	-	-	439,979
Human services.....	247,248	-	-	55,932	303,180
Culture and recreation.....	343,395	-	-	44,785	388,180
Pension benefits.....	4,206,604	-	-	-	4,206,604
Property and liability insurance.....	200,038	-	-	-	200,038
Employee benefits.....	2,899,673	-	-	-	2,899,673
State and county charges.....	401,011	-	-	-	401,011
Debt service:					
Principal.....	590,061	-	-	-	590,061
Interest.....	145,733	-	-	-	145,733
<b>TOTAL EXPENDITURES.....</b>	<b>27,364,929</b>	<b>439,979</b>	<b>19,409,370</b>	<b>4,539,620</b>	<b>51,753,898</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(312,541)</b>	<b>112,130</b>	<b>(9,299,918)</b>	<b>(265,862)</b>	<b>(9,766,191)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from bonds and notes.....	-	-	24,000,000	-	24,000,000
Premium from issuance of bonds.....	1,093,762	-	-	-	1,093,762
Capital lease financing.....	83,761	-	-	-	83,761
Transfers in.....	309,011	200,000	-	644,036	1,153,047
Transfers out.....	(642,000)	(200,000)	-	(187,524)	(1,029,524)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>844,534</b>	<b>-</b>	<b>24,000,000</b>	<b>456,512</b>	<b>25,301,046</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>531,993</b>	<b>112,130</b>	<b>14,700,082</b>	<b>190,650</b>	<b>15,534,855</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>2,945,590</b>	<b>3,350,833</b>	<b>(1,184,765)</b>	<b>1,870,178</b>	<b>6,981,836</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 3,477,583</b>	<b>\$ 3,462,963</b>	<b>\$ 13,515,317</b>	<b>\$ 2,060,828</b>	<b>\$ 22,516,691</b>

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.....	\$	15,534,855
<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.....		21,528,402
Depreciation expense.....		<u>(1,443,498)</u>
Net effect of reporting capital assets.....		20,084,904
<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>		
		(573,225)
<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>		
Capital lease financing.....		(83,761)
Capital lease principal payments.....		111,740
Proceeds from bonds.....		(24,000,000)
Premium from issuance of bonds.....		(1,093,762)
Debt service principal payments.....		<u>590,061</u>
Net effect of recording long-term debt.....		(24,475,722)
<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.....		(3,000)
Net change in accrued interest on long-term debt.....		(150,872)
Net change in other postemployment benefits.....		<u>(519,527)</u>
Net effect of recording long-term liabilities.....		<u>(673,399)</u>
Change in net position of governmental activities.....	\$	<u>9,897,413</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-type Activities - Enterprise Funds			
	Water Enterprise	Ambulance Enterprise	Electric Light December 31, 2013	Total
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 1,524,448	\$ 234,442	\$ 694,489	\$ 2,453,379
Restricted cash and cash equivalents.....	-	-	1,377,437	1,377,437
Receivables, net of allowance for uncollectibles:				
Water fees.....	396,167	-	-	396,167
Ambulance fees.....	-	184,219	-	184,219
Electric light fees.....	-	-	792,145	792,145
Intergovernmental.....	39,737	-	-	39,737
Inventory.....	-	-	29,771	29,771
Purchased power advanced deposits.....	-	-	592,657	592,657
Total current assets.....	<u>1,960,352</u>	<u>418,661</u>	<u>3,486,499</u>	<u>5,865,512</u>
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	262,607	-	-	262,607
Capital assets, net of accumulated depreciation.....				
Nondepreciable.....	200,926	-	300,171	501,097
Depreciable.....	<u>5,281,893</u>	<u>-</u>	<u>6,794,097</u>	<u>12,075,990</u>
Total noncurrent assets.....	<u>5,745,426</u>	<u>-</u>	<u>7,094,268</u>	<u>12,839,694</u>
<b>TOTAL ASSETS.....</b>	<u><b>7,705,778</b></u>	<u><b>418,661</b></u>	<u><b>10,580,767</b></u>	<u><b>18,705,206</b></u>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	52,219	15,223	755,775	823,217
Accrued payroll.....	10,607	500	-	11,107
Accrued interest.....	16,812	-	-	16,812
Customer deposits payable.....	-	-	119,357	119,357
Compensated absences.....	26,000	-	249,173	275,173
Bonds payable.....	<u>150,000</u>	<u>-</u>	<u>80,000</u>	<u>230,000</u>
Total current liabilities.....	<u>255,638</u>	<u>15,723</u>	<u>1,204,305</u>	<u>1,475,666</u>
<b>NONCURRENT:</b>				
Other postemployment benefits.....	271,036	1,374	-	272,410
Bonds payable.....	<u>1,130,000</u>	<u>-</u>	<u>400,000</u>	<u>1,530,000</u>
Total noncurrent liabilities.....	<u>1,401,036</u>	<u>1,374</u>	<u>400,000</u>	<u>1,802,410</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>1,656,674</b></u>	<u><b>17,097</b></u>	<u><b>1,604,305</b></u>	<u><b>3,278,076</b></u>
<b>NET POSITION</b>				
Net investment in capital assets.....	4,505,163	-	6,614,268	11,119,431
Unrestricted.....	<u>1,543,941</u>	<u>401,564</u>	<u>2,362,194</u>	<u>4,307,699</u>
<b>TOTAL NET POSITION.....</b>	<u><b>\$ 6,049,104</b></u>	<u><b>\$ 401,564</b></u>	<u><b>\$ 8,976,462</b></u>	<u><b>\$ 15,427,130</b></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			
	Water Enterprise	Ambulance Enterprise	Electric Light December 31, 2013	Total
<b>OPERATING REVENUES:</b>				
Charges for services.....	\$ 1,521,910	\$ 474,396	\$ 6,770,977	\$ 8,767,283
Other.....	-	-	15,960	15,960
<b>TOTAL OPERATING REVENUES .....</b>	<b>1,521,910</b>	<b>474,396</b>	<b>6,786,937</b>	<b>8,783,243</b>
<b>OPERATING EXPENSES:</b>				
Cost of services and administration.....	920,112	211,834	6,001,711	7,133,657
Repairs and maintenance.....	-	-	340,275	340,275
Depreciation.....	190,938	-	253,064	444,002
<b>TOTAL OPERATING EXPENSES .....</b>	<b>1,111,050</b>	<b>211,834</b>	<b>6,595,050</b>	<b>7,917,934</b>
<b>OPERATING INCOME.....</b>	<b>410,860</b>	<b>262,562</b>	<b>191,887</b>	<b>865,309</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income.....	6,950	361	3,519	10,830
Interest expense.....	(64,094)	-	(19,696)	(83,790)
Intergovernmental.....	35,681	-	-	35,681
Gain/(loss) on disposal of capital assets.....	-	-	(400)	(400)
Other revenues.....	-	-	29,322	29,322
Payment in lieu of taxes.....	-	-	(46,768)	(46,768)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(21,463)</b>	<b>361</b>	<b>(34,023)</b>	<b>(55,125)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>389,397</b>	<b>262,923</b>	<b>157,864</b>	<b>810,184</b>
<b>TRANSFERS:</b>				
Transfers in.....	-	138,641	-	138,641
Transfers out.....	(262,164)	-	-	(262,164)
<b>TOTAL TRANSFERS.....</b>	<b>(262,164)</b>	<b>138,641</b>	<b>-</b>	<b>(123,523)</b>
<b>CHANGE IN NET POSITION.....</b>	<b>127,233</b>	<b>401,564</b>	<b>157,864</b>	<b>686,661</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>5,921,871</b>	<b>-</b>	<b>8,818,598</b>	<b>14,740,469</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 6,049,104</b>	<b>\$ 401,564</b>	<b>\$ 8,976,462</b>	<b>\$ 15,427,130</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds			
	Water Enterprise	Ambulance Enterprise	Electric Light December 31, 2013	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Receipts from customers and users.....	\$ 1,599,664	\$ 291,551	\$ 6,664,106	\$ 8,555,321
Payments to employees and vendors.....	-	-	(6,367,588)	(6,367,588)
Payments to vendors.....	(613,830)	(94,133)	-	(707,963)
Payments to employees.....	(423,548)	(101,978)	-	(525,526)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>562,286</b>	<b>95,440</b>	<b>296,518</b>	<b>954,244</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
Transfers in.....	-	138,641	-	138,641
Transfers out.....	(262,164)	-	-	(262,164)
Miscellaneous.....	-	-	29,322	29,322
Payments in lieu of taxes.....	-	-	(46,768)	(46,768)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(262,164)</b>	<b>138,641</b>	<b>(17,446)</b>	<b>(140,969)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
Acquisition and construction of capital assets.....	-	-	(173,487)	(173,487)
Principal payments on bonds and notes.....	(107,406)	-	(80,000)	(187,406)
Interest expense.....	(31,557)	-	(20,540)	(52,097)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(138,963)</b>	<b>-</b>	<b>(274,027)</b>	<b>(412,990)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Investment income.....	6,950	361	3,519	10,830
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>168,109</b>	<b>234,442</b>	<b>8,564</b>	<b>411,115</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>1,356,339</b>	<b>-</b>	<b>2,063,362</b>	<b>3,419,701</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 1,524,448</b>	<b>\$ 234,442</b>	<b>\$ 2,071,926</b>	<b>\$ 3,830,816</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>				
Operating income (loss).....	\$ 410,860	\$ 262,562	\$ 191,887	\$ 865,309
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	190,938	-	253,064	444,002
Changes in assets and liabilities:				
Water fees.....	46,112	-	-	46,112
Ambulance fees.....	-	(184,219)	-	(184,219)
Electric light fees.....	-	-	(122,831)	(122,831)
Purchased power advance deposits.....	-	-	(37,719)	(37,719)
Warrants payable.....	(117,659)	15,223	53,343	(49,093)
Accrued payroll.....	1,393	500	-	1,893
Liabilities due depositors.....	-	-	(3,533)	(3,533)
Accrued compensated absences.....	(1,000)	-	7,557	6,557
Other postemployment benefits.....	31,642	1,374	(45,250)	(12,234)
Total adjustments.....	151,426	(167,122)	104,631	88,935
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 562,286</b>	<b>\$ 95,440</b>	<b>\$ 296,518</b>	<b>\$ 954,244</b>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>				
Intergovernmental subsidy of debt service.....	\$ 73,275			

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
CURRENT:			
Cash and cash equivalents.....	\$ 2,152	\$ 1,917	\$ 209,531
Investments.....	636,484	-	-
<b>TOTAL ASSETS</b> .....	<b>638,636</b>	<b>1,917</b>	<b>209,531</b>
<b>LIABILITIES</b>			
Warrants payable.....	-	-	18,040
Liabilities due depositors.....	-	-	191,491
<b>TOTAL LIABILITIES</b> .....	<b>-</b>	<b>-</b>	<b>209,531</b>
<b>NET POSITION</b>			
Held in trust for OPEB and other purposes.....	\$ <u>638,636</u>	\$ <u>1,917</u>	\$ <u>-</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Employer.....	\$ 214,794	\$ -
Net investment income:		
Interest.....	57,682	4
Intergovernmental.....	-	239
TOTAL ADDITIONS.....	<u>272,476</u>	<u>243</u>
CHANGE IN NET POSITION.....	272,476	243
NET POSITION AT BEGINNING OF YEAR.....	<u>366,160</u>	<u>1,674</u>
NET POSITION AT END OF YEAR.....	<u>\$ 638,636</u>	<u>\$ 1,917</u>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Town is a municipal corporation that is governed by an elected Board of Selectmen.

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. The Town did not identify any component units requiring inclusion in the basic financial statements.

The Georgetown Municipal Electric Light Department (GMELD) was established to generate and distribute electricity for municipal and residential use within the Town. The GMELD is governed by an elected three-member board and is operated by a manager appointed by the GMELD's elected board. It is not a separate legal entity and therefore the condensed financial statements of the GMELD are reported in the Town's Enterprise Fund. A complete audited financial statement for the GMELD can be obtained directly from their office at West Main Street, Georgetown, MA 01833.

**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. Nonmajor funds are aggregated and displayed in a single column.

*Major Fund Criteria*

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

- If the total assets 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.

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. Exceptions are charges between the general fund and water and municipal light enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

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

Real estate and personal property tax revenues are considered available if they are collected within 60 days after 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 for the year ended June 30, 2014.

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 *community preservation fund* is a special revenue fund used to account for the accumulation of resources for the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing.

The *Penn Brook School construction fund* is a capital project fund used to account for the construction costs of the new Penn Brook Elementary School.

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

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

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

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

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

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

The following proprietary funds are reported:

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

The *ambulance enterprise fund* is used to account for the Town's ambulance activities.

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

**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 for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

#### 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 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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 receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported. Real estate tax liens are processed by the last day in September following the last billing cycle.

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 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 Fees**

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. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period.

Since the Town disconnects water service for nonpayment, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

### **Special Assessments**

The Town assesses Water Betterments in connection with the construction and connection of water mains and services. Betterment liens are processed annually on overdue accounts and are included as a lien on the property owner's tax bill. Water liens are recorded as receivables in the year of the levy.

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

### **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.

### **Loans**

Loans receivable represent Title V loans provided through the Massachusetts Clean Water Trust to qualifying residential septic system projects.

### F. Inventories

#### *Government-Wide and Fund Financial Statements*

With the exception of the Electric Light Department, inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

### G. Capital Assets

#### *Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, 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 \$5,000 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>
Buildings and building improvements.....	40
Computers and computer equipment.....	5
Equipment and furniture.....	5-10
Other improvements.....	20-30
Books.....	10
Infrastructure.....	40-50
Vehicles.....	5-15

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

*Governmental Fund Financial Statements*

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

H. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

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

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

*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 amounts 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.

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 restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts.

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

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

#### *Fund Financial Statements (Fund Balances)*

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

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town’s by-laws authorize the Town Accountant to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

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

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

### M. Long-term debt

#### *Government-Wide and Proprietary Fund Financial Statements*

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

### O. Compensated Absences

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

#### *Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

#### *Governmental Fund Financial Statements*

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

### 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**

Statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The 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 of Massachusetts who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares. In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Town maintains a cash and investment pool that is available for use by all funds, except the Trust Funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the Trust Funds are held separately from those of other Town funds.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town has not formally adopted a policy for custodial credit risk of deposits. At year-end, the carrying amount of deposits (excluding GMELD) totaled \$33,829,999 and the bank balance totaled \$34,304,028. Of the bank balance, \$1,000,252 was covered by Federal Depository Insurance, \$20,539,508 was covered by Depositor's Insurance Fund, and \$12,764,268 was exposed to custodial credit risk because it was uninsured and uncollateralized.

As of December 31, 2013, GMELD's carrying amount of deposits totaled \$2,071,926.

The Other Postemployment Benefit Trust Fund's (Trust) carrying amount of deposits totaled \$2,152.

Investments

The Town participates in the MMDT cash portfolio. MMDT maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months. Town's investment in MMDT totaled \$9,361 at June 30, 2014.

GMELD had no investments at December 31, 2013.

As of June 30, 2014, the OPEB Trust had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Equity Mutual Funds..... \$	455,684
Bond Mutual Funds.....	<u>180,800</u>
Total Investments..... \$	<u><u>636,484</u></u>

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 the outside party. The Town's policy related to custodial credit risk is to apply the guidelines established by Massachusetts General Law and to invest in institutions which are financially strong. At June 30, 2014, the Town does not have any custodial credit risk exposure for its investments since MMDT deposits are not subject to custodial credit risk because they are not evidenced by securities that exist in physical for book-entry form.

The Trust's total investments of \$636,484 were exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The Trust does not have an investment policy for custodial credit risk.

Interest Rate Risk - Investments

To manage its exposure to fair value losses arising from increasing interest rates, the Town's investment policy limits the investment of short-term funds to maturities of one year or less.

Credit Risk - Investments

The Town's investment policy allows for unlimited investment in MMDT and it allows all trust funds to be invested in any instruments allowed by the Legal List issued by the Banking Commissioner, regardless of their rating. The Town's investment in MMDT at June 30, 2014 is unrated.

**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....	\$ 105,533	\$ (14,463)	\$ 91,070
Tax liens and foreclosures.....	579,799	-	579,799
Motor vehicle excise taxes.....	86,213	(32,338)	53,875
Departmental and other.....	53,497	-	53,497
Special assessments.....	2,035	-	2,035
Intergovernmental.....	7,312,128	-	7,312,128
Loans.....	28,547	-	28,547
Total.....	<u>\$ 8,167,752</u>	<u>\$ (46,801)</u>	<u>\$ 8,120,951</u>

At June 30, 2014, receivables for the Town's water and ambulance enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees.....	\$ 396,167	\$ -	\$ 396,167
Ambulance fees.....	184,219	-	184,219
Intergovernmental.....	302,344	-	302,344
Total.....	<u>\$ 882,730</u>	<u>\$ -</u>	<u>\$ 882,730</u>

At December 31, 2013, receivables for the municipal electric light fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Electric Light user fees.....	\$ 792,145	\$ -	\$ 792,145

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 type:</u>				
Real estate and personal property taxes....	\$ 33,916	\$ -	\$ -	\$ 33,916
Tax liens and foreclosures.....	574,425	4,671	703	579,799
Motor vehicle excise taxes.....	53,875	-	-	53,875
Departmental and other.....	-	-	53,497	53,497
Special assessments.....	-	2,035	-	2,035
Intergovernmental.....	-	-	741,153	741,153
Loans.....	-	-	28,547	28,547
Total.....	<u>\$ 662,216</u>	<u>\$ 6,706</u>	<u>\$ 823,900</u>	<u>\$ 1,492,822</u>

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,522,168	\$ -	\$ -	\$ 4,522,168
Construction in progress.....	2,772,968	19,948,558	-	22,721,526
Total capital assets not being depreciated.....	7,295,136	19,948,558	-	27,243,694
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	36,909,578	230,268	-	37,139,846
Computers and computer equipment.....	818,956	84,494	(601,388)	302,062
Equipment and furniture.....	1,868,393	107,187	(282,713)	1,692,867
Other improvements.....	1,003,856	-	-	1,003,856
Infrastructure.....	9,206,801	1,012,445	-	10,219,246
Vehicles.....	2,524,194	145,450	(86,000)	2,583,644
Total capital assets being depreciated.....	52,331,778	1,579,844	(970,101)	52,941,521
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(16,035,474)	(904,962)	-	(16,940,436)
Computers and computer equipment.....	(715,775)	(43,755)	601,388	(158,142)
Equipment and furniture.....	(1,402,593)	(70,275)	282,713	(1,190,155)
Other improvements.....	(738,192)	(39,424)	-	(777,616)
Infrastructure.....	(3,723,811)	(242,826)	-	(3,966,637)
Vehicles.....	(1,737,707)	(142,256)	86,000	(1,793,963)
Total accumulated depreciation.....	(24,353,552)	(1,443,498)	970,101	(24,826,949)
Total capital assets being depreciated, net.....	27,978,226	136,346	-	28,114,572
Total governmental activities capital assets, net.....	\$ 35,273,362	\$ 20,084,904	\$ -	\$ 55,358,266

<b>Business Type Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Fund Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 200,926	\$ -	\$ -	\$ 200,926
<u>Capital assets being depreciated:</u>				
Computers and computer equipment.....	72,090	-	-	72,090
Equipment and furniture.....	130,672	-	-	130,672
Other improvements.....	81,070	-	-	81,070
Infrastructure.....	9,973,088	-	-	9,973,088
Vehicles.....	79,265	-	-	79,265
Total capital assets being depreciated.....	10,336,185	-	-	10,336,185
<u>Less accumulated depreciation for:</u>				
Computers and computer equipment.....	(64,184)	(1,757)	-	(65,941)
Equipment and furniture.....	(130,672)	-	-	(130,672)
Other improvements.....	(48,744)	(3,611)	-	(52,355)
Infrastructure.....	(4,542,489)	(183,570)	-	(4,726,059)
Vehicles.....	(77,265)	(2,000)	-	(79,265)
Total accumulated depreciation.....	(4,863,354)	(190,938)	-	(5,054,292)
Total capital assets being depreciated, net.....	5,472,831	(190,938)	-	5,281,893
Total water fund activities capital assets, net.....	\$ 5,673,757	\$ (190,938)	\$ -	\$ 5,482,819
<b>Electric Light Department Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 300,171	\$ -	\$ -	\$ 300,171
<u>Capital assets being depreciated:</u>				
Structures and improvements.....	561,451	1,519	-	562,970
Machinery and equipment.....	7,814,286	82,554	(15,949)	7,880,891
Infrastructure.....	4,278,023	89,413	-	4,367,436
Total capital assets being depreciated.....	12,653,760	173,486	(15,949)	12,811,297
<u>Less accumulated depreciation for:</u>				
Structures and improvements.....	(211,793)	(9,830)	-	(221,623)
Machinery and equipment.....	(3,407,407)	(168,337)	15,550	(3,560,194)
Infrastructure.....	(2,160,486)	(74,897)	-	(2,235,383)
Total accumulated depreciation.....	(5,779,686)	(253,064)	15,550	(6,017,200)
Total capital assets being depreciated, net.....	6,874,074	(79,578)	(399)	6,794,097
Total Electric Light Department capital assets, net.....	\$ 7,174,245	\$ (79,578)	\$ (399)	\$ 7,094,268

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

**Governmental Activities:**

General government.....	\$ 68,472
Public safety.....	174,528
Education.....	765,678
Public works.....	327,026
Culture and recreation.....	<u>107,794</u>

Total depreciation expense - governmental activities..... \$ 1,443,498

**Business-Type Activities:**

Water.....	\$ 190,938
Electric light.....	<u>253,064</u>

Total depreciation expense - business-type activities..... \$ 444,002

**NOTE 5 – INTERFUND TRANSFERS**

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

Transfers Out:	Transfers In:				Total
	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Ambulance Enterprise Fund	
General Fund.....	\$ -	\$ 200,000	\$ 442,000	\$ -	\$ 642,000 (1)
Community Preservation Fund.....	-	-	200,000	-	200,000 (2)
Nonmajor Governmental Funds...	46,847	-	2,036	138,641	187,524 (3)
Water Enterprise Fund.....	<u>262,164</u>	-	-	-	<u>262,164 (4)</u>
Total.....	<u>\$ 309,011</u>	<u>\$ 200,000</u>	<u>\$ 644,036</u>	<u>\$ 138,641</u>	<u>\$ 1,291,688</u>

- (1) Represents budgeted transfers from the general fund to the community preservation fund and nonmajor capital project funds.
- (2) Represents a transfer from the community preservation fund to the nonmajor affordable housing trust fund.
- (3) Represents budgeted transfers to the general fund from the septic betterment fund of \$21,060 as well as transfers from special revenue accounts totaling \$25,787. Represents miscellaneous transfers between special revenue accounts. Also represents a transfer from the ambulance revolving fund to establish the ambulance enterprise fund.
- (4) Represents a budgeted transfer from the water fund to the general fund for indirect charges.

**NOTE 6 – CAPITAL LEASES**

The Town has entered into several lease agreements to finance the acquisition of vehicles, computers and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The following identifies the assets acquired through capital lease agreements:

<u>Asset:</u>	<u>Governmental Activities</u>
Computers and computer equipment.....	\$ 5,217
Equipment and furniture.....	89,516
Vehicles.....	<u>863,343</u>
Total assets.....	958,076
Less: accumulated depreciation.....	<u>(471,667)</u>
Total.....	<u>\$ 486,409</u>

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2014, are as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>
2015.....	\$ 128,398
2016.....	128,399
2017.....	99,142
2018.....	22,947
2019.....	<u>22,946</u>
Total minimum lease payments.....	401,832
Less: amounts representing interest.....	<u>(41,819)</u>
Present value of minimum lease payments.....	<u>\$ 360,013</u>

**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 respectively.

Detail related to the Town’s short-term debt activity for the year ended June 30, 2014, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
BAN	Bond Anticipation Note..	0.55%	09/19/13	\$ 731,202	\$ -	\$ 731,202	\$ -
BAN	Bond Anticipation Note..	0.45%	09/19/13	2,500,000	-	2,500,000	-
BAN	Bond Anticipation Note..	0.50%	07/28/14	-	1,000,000	-	1,000,000 (1)
BAN	Bond Anticipation Note..	0.60%	07/28/14	-	1,887,000	-	1,887,000 (1)
BAN	Bond Anticipation Note..	1.00%	07/28/14	-	6,000,000	-	6,000,000 (1)
BAN	Bond Anticipation Note..	0.60%	09/19/14	-	274,202	-	274,202 (2)
BAN	Bond Anticipation Note..	0.60%	12/09/14	-	331,067	-	331,067 (3)
Total.....				\$ <u>3,231,202</u>	\$ <u>9,492,269</u>	\$ <u>3,231,202</u>	\$ <u>9,492,269</u>

- (1) At maturity on July 28, 2014, the Town paid down \$8,887,000 of BANS with proceeds from the \$24 million long term debt issuance. The long term bonds were issued on April 9, 2014, with interest rates ranging from 3-5%, and mature in year 2039.
- (2) At maturity on September 19, 2014, the Town paid down \$70,000 of the \$274,202 BAN. The balance of \$204,202 was rolled forward into another BAN due on September 18, 2015 with an interest rate of .55%.
- (3) At maturity on December 9, 2014, the Town rolled the BAN of \$331,067 into another BAN due on September 9, 2015 with an interest rate of .45%.

**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".

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

### Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
MCWT - Title V Loans (2003).....	2021	\$ 197,403	4.20	\$ 83,002	\$ -	\$ 10,400	\$ 72,602
MCWT - Title V Loans (2004).....	2021	192,045	4.25	85,506	-	10,661	74,845
Landfill Closure Bonds (1999).....	2017	1,235,000	4.25	260,000	-	75,000	185,000
Library Addition (2005).....	2025	2,400,000	4.25	1,440,000	-	120,000	1,320,000
Fire Engine (2005).....	2015	350,000	2.00	70,000	-	35,000	35,000
School (2009).....	2018	1,983,000	2.00-2.70	998,000	-	199,000	799,000
Land Acquisition (2009).....	2017	87,000	2.00-2.50	42,000	-	11,000	31,000
Esco (2013).....	2028	2,199,000	0.04-3.00	2,199,000	-	129,000	2,070,000
School (2014).....	2039	24,000,000	3.00-5.00	-	24,000,000	-	24,000,000
Total Bonds Payable.....				5,177,508	24,000,000	590,061	28,587,447
Add: Unamortized Premium.....				-	1,093,762	-	1,093,762
Total Bonds Payable, net.....				\$ 5,177,508	\$ 25,093,762	\$ 590,061	\$ 29,681,209

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

Year	Principal	Interest	Total
2015.....	\$ 1,566,061	\$ 1,048,175	\$ 2,614,236
2016.....	1,506,061	991,369	2,497,430
2017.....	1,551,061	950,611	2,501,672
2018.....	1,521,061	897,988	2,419,049
2019.....	1,276,061	843,876	2,119,937
2020.....	1,281,061	795,828	2,076,889
2021.....	1,286,081	747,259	2,033,340
2022.....	1,265,000	698,353	1,963,353
2023.....	1,270,000	639,678	1,909,678
2024.....	1,275,000	590,568	1,865,568
2025.....	1,280,000	541,120	1,821,120
2026.....	1,165,000	503,680	1,668,680
2027.....	1,170,000	468,320	1,638,320
2028.....	1,175,000	432,800	1,607,800
2029.....	1,000,000	400,000	1,400,000
2030.....	900,000	360,000	1,260,000
2031.....	900,000	324,000	1,224,000
2032.....	900,000	288,000	1,188,000
2033.....	900,000	252,000	1,152,000
2034.....	900,000	216,000	1,116,000
2035.....	900,000	180,000	1,080,000
2036.....	900,000	144,000	1,044,000
2037.....	900,000	108,000	1,008,000
2038.....	900,000	72,000	972,000
2039.....	900,000	36,000	936,000
Totals.....	\$ <u>28,587,447</u>	\$ <u>12,529,625</u>	\$ <u>41,117,072</u>

#### Bonds Payable Schedule – Municipal Light Enterprise Fund

Project	Maturities Through	Original Amount	Average Interest Rate (%)	Outstanding at December 31, 2012	Issued	Redeemed	Outstanding at December 31, 2013
Electric Light Sub-station (2005).....	2020	\$ 1,200,000	4.25	\$ <u>560,000</u>	\$ -	\$ <u>80,000</u>	\$ <u>480,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015.....	\$ 80,000	\$ 17,340	\$ 97,340
2016.....	80,000	14,540	94,540
2017.....	80,000	11,740	91,740
2018.....	80,000	8,860	88,860
2019.....	80,000	5,960	85,960
2020.....	80,000	3,000	83,000
Totals.....	<u>\$ 480,000</u>	<u>\$ 61,440</u>	<u>\$ 541,440</u>

### Bonds Payable Schedule – Water Enterprise Fund

<u>Project</u>	<u>Maturities Through</u>	<u>Original Amount</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2014</u>
MCWT (2005).....	2021	\$ 1,899,012	5.20	\$ 1,075,000	\$ -	\$ 120,000	\$ 955,000
General Obligation Water Bonds (2005).....	2025	500,000	4.25	350,000	-	25,000	325,000
Total.....				<u>\$ 1,425,000</u>	<u>\$ -</u>	<u>\$ 145,000</u>	<u>\$ 1,280,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015.....	\$ 150,000	\$ 57,567	\$ 207,567
2016.....	155,000	50,262	205,262
2017.....	155,000	42,185	197,185
2018.....	160,000	33,904	193,904
2019.....	170,000	25,974	195,974
2020.....	175,000	18,292	193,292
2021.....	180,000	9,901	189,901
2022.....	30,000	4,800	34,800
2023.....	35,000	3,500	38,500
2024.....	35,000	2,100	37,100
2025.....	35,000	700	35,700
Totals.....	<u>\$ 1,280,000</u>	<u>\$ 249,185</u>	<u>\$ 1,529,185</u>

The Town has received bonds from the Massachusetts Clean Water Trust (MCWT) for various water and sewer projects. The remaining scheduled loan repayments, including interest, total \$1,306,129 at June 30, 2014. The Town is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$302,344 and interest costs for \$162,170. Thus, net MCWT loan repayments, including interest, are scheduled to be \$841,614. The principal subsidies are guaranteed and therefore a \$302,344 intergovernmental receivable has been recorded in the Water Enterprise Fund at June 30, 2014. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements.

The 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
Penn Brook Feasibility Study.....	\$ 385,000
Energy Services Performance.....	1,801,000
Dump Truck.....	398
High School Fields Rehabilitation.....	800,000
Penn Brook Construction Project.....	22,504,400
Elm Street Rehabilitation.....	1,800,000
Middle/High School Renovation.....	<u>7,805,726</u>
Total.....	<u>\$ 35,096,524</u>

#### Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Long-term bonds.....	\$ 5,177,508	\$ 24,000,000	\$ (590,061)	\$ 28,587,447	\$ 1,566,061
Add: Unamortized premium.....	-	1,093,762	-	1,093,762	85,712
Total Long-term bonds.....	<u>5,177,508</u>	<u>25,093,762</u>	<u>(590,061)</u>	<u>29,681,209</u>	<u>1,651,773</u>
Other postemployment benefits....	4,865,798	1,489,135	(969,608)	5,385,325	-
Capital leases.....	387,992	67,969	(95,948)	360,013	111,989
Compensated absences.....	<u>293,000</u>	<u>37,000</u>	<u>(34,000)</u>	<u>296,000</u>	<u>39,000</u>
Total governmental activity long-term liabilities.....	<u>\$ 10,724,298</u>	<u>\$ 26,687,866</u>	<u>\$ (1,689,617)</u>	<u>\$ 35,722,547</u>	<u>\$ 1,802,762</u>
<b>Business-Type Activities:</b>					
Bonds payable.....	\$ 1,985,000	\$ -	\$ (225,000)	\$ 1,760,000	\$ 230,000
Other postemployment benefits....	284,644	997,156	(1,009,390)	272,410	-
Compensated absences.....	<u>268,616</u>	<u>275,173</u>	<u>(268,616)</u>	<u>275,173</u>	<u>275,173</u>
Total business-type activity long-term liabilities.....	<u>\$ 2,538,260</u>	<u>\$ 1,272,329</u>	<u>\$ (1,503,006)</u>	<u>\$ 2,307,583</u>	<u>\$ 505,173</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

There are two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, spendable fund balances are classified based on a hierarchy of spending constraints.

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

As of June 30, 2014, the governmental fund balances consisted of the following:

	General	Community Preservation Fund	Penn Brook School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Restricted for:					
Community preservation.....	-	3,462,963	-	-	3,462,963
Penn brook school construction.....	-	-	13,515,317	-	13,515,317
Town revolving funds.....	-	-	-	12,622	12,622
Town gift and grant funds.....	-	-	-	14,082	14,082
Town receipts reserved for appropriation.....	-	-	-	219,916	219,916
School lunch.....	-	-	-	9,604	9,604
School revolving funds.....	-	-	-	151,212	151,212
School gift and grant funds.....	-	-	-	413,330	413,330
Special revenue trust funds.....	-	-	-	603,581	603,581
Other special revenue accounts.....	-	-	-	541,309	541,309
Town capital projects.....	-	-	-	88,548	88,548
Expendable permanent funds.....	-	-	-	1,624	1,624
Committed to:					
Committed for compensated absences.....	28,528	-	-	-	28,528
Assigned to:					
General government.....	14,932	-	-	-	14,932
Public works.....	18,687	-	-	-	18,687
Unassigned.....	3,415,436	-	-	-	3,415,436
<b>TOTAL FUND BALANCES.....</b>	<b>\$ 3,477,583</b>	<b>\$ 3,462,963</b>	<b>\$ 13,515,317</b>	<b>\$ 2,060,828</b>	<b>\$ 22,516,691</b>

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

appropriations from the fund requires a two-thirds vote of the legislative body. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. In accordance with Massachusetts General Law, the Town has established a general stabilization fund, a capital stabilization fund and a compensated absences stabilization fund.

At year end the balance of the general stabilization fund is \$1,220,264 and is reported as unassigned fund balance within the general fund; the balance of the capital stabilization fund is \$215,639 and is reported as unassigned fund balance within the general fund; the balance of the compensated absences stabilization fund is \$28,528 and is reported as committed fund balance within the general fund.

#### **NOTE 10 – RISK FINANCING**

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

The Town participates in a premium-based health care plan for its active employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

#### **NOTE 11 – MUNICIPAL LIGHT DEPARTMENT**

The Town of Georgetown acting through its Light Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the

Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook) the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs, the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

Georgetown Municipal Light Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

As of December 31, 2013, total capital expenditures for MMWEC's Projects amounted to \$1,607,269,000, of which \$12,594,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply Project Revenue Bonds totaling \$225,280,000, of which \$1,703,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2013, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$218,518,000, of which \$1,668,000 is anticipated to be billed to the Department in the future

The estimated aggregate amount of Georgetown Municipal Light Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2013 and estimated for future years is shown below.

<u>For Years Ended</u> <u>December 31,</u>	<u>Annual Cost</u>
2014.....	\$ 488,000
2015.....	458,000
2016.....	430,000
2017.....	211,000
2018.....	44,000
2019.....	<u>37,000</u>
Total.....	\$ <u>1,668,000</u>

In addition, under the PSA's, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$1,257,000 and \$1,241,000 for the years ended December 31, 2013 and 2012, respectively.

#### **NOTE 12 – PENSION PLAN**

*Plan Description* – The Town contributes to the Essex Regional Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Commonwealth's Teachers Contributory Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are funded by the Commonwealth. The amount of these on-behalf payments totaled approximately \$2,829,000 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. Cost-of-living adjustments granted after 1997 are borne by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 491 Maple Street, Suite 202, Danvers, Massachusetts, 01923.

*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, which is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$1,263,724, \$1,148,729, and \$1,056,844, respectively, which equaled its required contribution for each year.

#### **NOTE 13 – COMMUNITY PRESERVATION FUNDS**

The Town approved the Community Preservation Act (CPA) which allows the Town to impose a surcharge on property taxes and to receive matching state 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 CPA requires that the Town spend or set aside for later spending a minimum of ten percent of annual revenues for open space, a minimum of ten percent of annual revenues for historic resources and a minimum of ten percent of annual revenues for community housing.

In accordance with the CPA, the Town has approved a new bylaw establishing a Community Preservation Committee (CPC) to study the needs, possibilities and resources of the Town regarding community preservation and to make recommendations for Town Meeting approval to fund eligible projects using CPA funds.

As of June 30, 2014, the CPA fund has a balance of \$3.5 million and is reported as a major fund in the governmental fund financial statements.

**NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”), which the GMELD participates in. The plan provides lifetime healthcare, prescription drug, dental, vision and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members, including teachers. 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. The Town and the GMELD are required to contribute 69-60 percent of the cost of current-year premiums for health insurance and 50 percent of the cost of current year dental and life insurance premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 31-50 percent of their premium costs. The Town and the GMELD may contribute additional amounts to pre-fund benefits. The Town contributed approximately \$1,008,000 during 2014 which included a pre-funding contribution of approximately of \$14,000, and the GMELD contributed approximately \$247,000 which included a pre-funding contribution by the GMELD of approximately \$151,000.

*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 and the GMELD’s annual OPEB cost for the periods, the amount actually contributed to the plan, and changes in the net OPEB obligation are summarized in the following table:

	Governmental Activities and Water and Ambulance Enterprise Funds	Electric Light Enterprise Fund
Annual required contribution.....	\$ 1,893,760	\$ 202,534
Interest on net OPEB obligation.....	202,726	2,263
Adjustments to annual required contribution.....	<u>(535,856)</u>	<u>(2,944)</u>
Annual OPEB cost (expense).....	1,560,630	201,853
Contributions made.....	<u>(1,008,087)</u>	<u>(247,103)</u>
Increase in net OPEB obligation.....	552,543	(45,250)
Net OPEB obligation - beginning of year.....	<u>5,105,192</u>	<u>45,250</u>
Net OPEB obligation - end of year.....	<u>\$ 5,657,735</u>	<u>\$ -</u>

The Electric Light amounts are shown for the year ended December 31, 2013.

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

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<u>Governmental Activities and Water and Ambulance Enterprise Funds</u>				
	6/30/2014	\$ 1,560,630	65%	\$ 5,657,735
	6/30/2013	1,414,709	65%	5,105,192
	6/30/2012	1,794,254	49%	4,612,713
<u>Electric Light Enterprise Fund</u>				
	12/31/2013	\$ 201,853	122%	\$ -
	12/31/2012	196,823	77%	45,250
	12/31/2011	145,839	102%	-

*Funded Status and Funding Progress* – The funded status of the Plan as of the most recent actuarial valuation date is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
<u>Governmental Activities and Water and Ambulance Enterprise Funds</u>						
7/1/2012	\$ -	\$ 21,584,170	\$ 21,584,170	0%	\$ N/A	N/A
7/1/2010	-	16,574,112	16,574,112	0%	N/A	N/A
12/31/2007	-	28,732,243	28,732,243	0%	N/A	N/A
<u>Electric Light Enterprise Fund</u>						
1/1/2012	\$ 238,994	\$ 2,208,329	\$ 1,969,335	11%	\$ 625,106	315.0%
7/1/2010	-	1,927,341	1,927,341	0%	499,383	385.9%
12/31/2007	-	2,316,246	2,316,246	0%	N/A	N/A

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.

The following additional information is provided for the latest actuarial valuations:

Governmental Activities and Water and Ambulance Enterprise Funds

Actuarial Methods:

Valuation date.....	July 1, 2012
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Payments increasing at 4.5% per year
Remaining amortization period.....	26 years as of July 1, 2012, closed
Asset valuation method.....	Market Value

Actuarial Assumptions:

Investment rate of return.....	4.0%, per annum
General inflation assumption.....	2.5%, per annum
Health care cost trend rate.....	6.0% graded to 5.0% over 3 years
Annual compensation increases.....	3.0%

Electric Light Enterprise Fund

Actuarial Methods:

Valuation date.....	January 1, 2012
Actuarial cost method.....	Projected Unit Credit
Remaining amortization period.....	30 years as of January 1, 2012, closed
Asset valuation method.....	Market Value

Actuarial Assumptions:

Investment rate of return.....	5.0% per annum
Medical/drug cost trend rate.....	9.0% graded to 5.0% over 6 years
Dental.....	5.0% per year

**NOTE 15 – COMMITMENTS**

In 2013, the Town passed, by special election, an override of Proposition 2 ½ allowing the construction of a new school totaling \$46.2 million. The funds will be expended under the direction of the School Building Committee for the design, construction and original equipping of a new Penn Brook Elementary School.

In 2014, the Town has authorized but not yet issued debt of \$22.9 million for the construction of the new Penn Brook Elementary School, along with \$1.8 million for energy upgrades, \$1.8 million for street rehabilitation, and \$8.6 million for Middle School/High School renovations and the High School field rehabilitation project.

**NOTE 16 – 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 the Town expects such amounts, if any, to be immaterial.

Various legal actions and claims are pending against the Town. 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 17 – 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 that the implementation of these pronouncements will have on the basic financial statements.

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## ***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	Current Year Initial Budget	Original Budget	Final Budget
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 15,779,790	\$ 15,779,790	\$ 15,779,790
Tax liens.....	-	-	-	-
Motor vehicle excise taxes.....	-	1,050,000	1,050,000	1,050,000
Penalties and interest on taxes.....	-	50,000	50,000	50,000
Payments in lieu of taxes.....	-	50,000	50,000	50,000
Intergovernmental.....	-	6,088,646	6,088,646	6,088,646
Departmental and other.....	-	769,472	769,472	769,472
Investment income.....	-	12,000	12,000	12,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>23,799,908</b>	<b>23,799,908</b>	<b>23,799,908</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	11,635	1,501,568	1,513,203	1,568,645
Public safety.....	8,564	2,041,883	2,050,447	2,050,447
Education.....	1,200	13,608,626	13,609,826	13,609,826
Public works.....	90,028	864,856	954,884	1,261,093
Human services.....	-	269,465	269,465	269,465
Culture and recreation.....	-	343,395	343,395	343,395
Pension benefits.....	-	1,272,224	1,272,224	1,272,224
Property and liability insurance.....	-	183,364	183,364	203,364
Employee benefits.....	-	2,757,305	2,757,305	2,919,698
State and county charges.....	-	395,337	395,337	395,337
Debt service:				
Principal.....	-	660,061	660,061	590,061
Interest.....	-	197,464	197,464	145,733
<b>TOTAL EXPENDITURES.....</b>	<b>111,427</b>	<b>24,095,548</b>	<b>24,206,975</b>	<b>24,629,288</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(111,427)</b>	<b>(295,640)</b>	<b>(407,067)</b>	<b>(829,380)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Premium from issuance of bonds.....	-	-	-	-
Transfers in.....	-	295,640	295,640	295,640
Transfers out.....	-	(227,000)	(227,000)	(605,100)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>-</b>	<b>68,640</b>	<b>68,640</b>	<b>(309,460)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(111,427)</b>	<b>(227,000)</b>	<b>(338,427)</b>	<b>(1,138,840)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>1,358,235</b>	<b>1,358,235</b>	<b>1,358,235</b>	<b>1,358,235</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 1,246,808</b>	<b>\$ 1,131,235</b>	<b>\$ 1,019,808</b>	<b>\$ 219,395</b>

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	15,651,842	\$ -	\$ (127,948)
	100,331	-	100,331
	1,251,758	-	201,758
	69,719	-	19,719
	49,724	-	(276)
	6,152,262	-	63,616
	915,810	-	146,338
	<u>24,520</u>	<u>-</u>	<u>12,520</u>
	<u>24,215,966</u>	<u>-</u>	<u>416,058</u>
	1,477,523	14,932	76,190
	2,035,755	-	14,692
	13,609,826	-	-
	1,124,301	18,687	118,105
	247,248	-	22,217
	343,395	-	-
	1,270,274	-	1,950
	200,038	-	3,326
	2,899,673	-	20,025
	401,011	-	(5,674)
	590,061	-	-
	<u>145,733</u>	<u>-</u>	<u>-</u>
	<u>24,344,838</u>	<u>33,619</u>	<u>250,831</u>
	<u>(128,872)</u>	<u>(33,619)</u>	<u>666,889</u>
	1,093,762	-	1,093,762
	309,011	-	13,371
	<u>(605,100)</u>	<u>-</u>	<u>-</u>
	<u>797,673</u>	<u>-</u>	<u>1,107,133</u>
	668,801	(33,619)	1,774,022
	<u>1,358,235</u>	<u>-</u>	<u>-</u>
\$	<u><u>2,027,036</u></u>	<u><u>(33,619)</u></u>	<u><u>1,774,022</u></u>

# ***Retirement System Schedules of Funding Progress and Employer Contributions***

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

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

**ESSEX REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/13	\$ 314,565,925	\$ 619,339,080	\$ 304,773,155	50.8%	\$ 119,292,287	255.5%
01/01/11	278,332,006	536,115,536	257,783,530	51.9%	119,707,156	215.3%
01/01/08	301,420,965	445,171,554	143,750,589	67.7%	111,726,856	128.7%
01/01/06	261,327,047	375,593,562	114,266,515	69.6%	98,641,094	115.8%
01/01/04	229,852,971	333,396,222	103,543,251	68.9%	93,404,002	110.9%
01/01/02	218,346,198	287,390,715	69,044,517	76.0%	85,005,338	81.2%
01/01/00	190,363,700	253,847,100	63,483,400	75.0%	69,525,900	91.3%
01/01/99	180,034,700	268,386,000	88,351,300	67.1%	89,645,300	98.6%

The Town's share of the UAAL, as of January 1, 2013, is approximately 5.04%.

See notes to required supplementary information.

**ESSEX REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30	System Wide			Town of Georgetown	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2014	\$ 24,592,599	\$ 24,592,599	100%	\$ 1,263,724	5.14%
2013	22,770,925	22,770,925	100%	1,148,729	5.04%
2012	21,084,190	21,084,190	100%	1,056,844	5.01%
2011	19,484,573	19,484,573	100%	949,378	4.87%
2010	17,648,430	17,648,430	100%	926,871	5.25%
2009	16,326,599	16,326,599	100%	870,045	5.33%
2008	15,623,540	15,623,540	100%	833,660	5.34%
2007	15,788,864	15,788,864	100%	766,120	4.85%
2006	16,622,274	16,622,274	100%	685,109	4.12%
2005	13,080,011	13,080,011	100%	617,940	4.72%

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

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

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

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the plan.

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

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

**SCHEDULE OF FUNDING PROGRESS**

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)
<u>Governmental Activities and Water and Ambulance Enterprise Funds</u>						
7/1/2012	\$ -	\$ 21,584,170	\$ 21,584,170	0%	N/A	N/A
7/1/2010	-	16,574,112	16,574,112	0%	N/A	N/A
12/31/2007	-	28,732,243	28,732,243	0%	N/A	N/A
<u>Electric Light Enterprise Fund</u>						
1/1/2012	\$ 238,994	\$ 2,208,329	\$ 1,969,335	11%	\$ 625,106	315.0%
7/1/2010	-	1,927,341	1,927,341	0%	499,383	385.9%
12/31/2007	-	2,316,246	2,316,246	0%	N/A	N/A

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
<u>Governmental Activities and Water and Ambulance Enterprise Funds</u>			
6/30/2013	\$ 1,893,760	\$ 1,008,087	53%
6/30/2012	1,646,020	887,395	54%
6/30/2011	1,646,020	887,395	54%
6/30/2010	2,602,893	1,004,895	39%
6/30/2009	2,414,885	911,248	38%
<u>Electric Light Enterprise Fund</u>			
12/31/2013	\$ 202,534	\$ 247,103	122%
12/31/2011	142,485	145,839	102%
12/31/2010	148,524	239,374	161%
12/31/2009	166,585	112,164	67%
12/31/2008	157,519	116,106	74%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

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Governmental Activities and Water and Ambulance Enterprise Funds

Actuarial Methods:

Valuation date.....	July 1, 2012
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Payments increasing at 4.5% per year
Remaining amortization period.....	26 years as of July 1, 2012, closed
Asset valuation method.....	Market Value

Actuarial Assumptions:

Investment rate of return.....	4.0%, per annum
General inflation assumption.....	2.5%, per annum
Health care cost trend rate.....	6.0% graded to 5.0% over 3 years
Annual compensation increases.....	3.0%

Plan Membership:

Current retirees, beneficiaries, and dependents...	144
Current active members.....	<u>206</u>
 Total.....	 <u><u>350</u></u>

Electric Light Enterprise Fund

Actuarial Methods:

Valuation date.....	January 1, 2012
Actuarial cost method.....	Projected Unit Credit
Remaining amortization period.....	30 years as of January 1, 2012, closed
Asset valuation method.....	Market Value

Actuarial Assumptions:

Investment rate of return.....	5.0% per annum
Medical/drug cost trend rate.....	9.0% graded to 5.0% over 6 years
Dental.....	5.0% per year

Plan Membership:

Current retirees, beneficiaries, and dependents...	11
Current active members.....	<u>8</u>
 Total.....	 <u><u>19</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 Town Meeting. The Finance and Advisory Board present an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

The majority of the Town’s 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 authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2014 budget includes \$24.3 million in appropriations and other amounts to be raised and \$111,000 in encumbrances and appropriations carried over from previous years. During 2014, Town Meeting approved supplemental appropriations totaling \$800,000.

The Town Accountant has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s 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:

Net change in fund balance, budgetary basis.....	\$ 668,801
<u>Perspective difference:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP.....	(139,718)
<u>Basis of accounting differences:</u>	
Net change in revenues due to 60 day receipts.....	(6,854)
Net change in recording tax refunds payable.....	9,764
Recognition of revenue for on-behalf payments.....	2,829,000
Recognition of expenditures for on-behalf payments.....	<u>(2,829,000)</u>
Net change in fund balance, GAAP basis.....	<u>\$ 531,993</u>

**NOTE B – PENSION PLAN**

The Town contributes to the Essex Regional Retirement System ("Retirement System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Essex Regional Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the system wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

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

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

Valuation Date.....	January 1, 2013	
Actuarial Cost Method.....	Entry Age Normal Cost Method	
Amortization Method.....	Approximate level percent of payroll, closed	
Remaining Amortization Period.....	21 years for the fresh start base	
Asset Valuation Method.....	A five-year (20% per year) smoothing method that reflects differences between expected market asset return and actual market asset return.	
Actuarial Assumptions:		
Investment rate of return.....	8.00%	
Projected salary increases.....	7.50% decreasing to 3.75% in five years	
Cost of living adjustments.....	3.00% for the first \$13,000 of retirement income	
Plan Membership:		
Retired participants and beneficiaries receiving benefits.....		1,670
Active participants.....		<u>2,816</u>
Total.....		<u><u>4,486</u></u>

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS PLAN**

The Town administers a single-employer defined benefit healthcare plan ("The Retiree Health Plan"). The plan provides lifetime healthcare, prescription drug, dental, vision and life insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0% for

the Town and the Water and Ambulance enterprise funds. The Electric Light Enterprise fund has begun the process of prefunding a portion of their liability and as of the actuarial valuation dated 1/1/2013 the funded ratio for the Electric Light Enterprise is 11%. In accordance with Governmental Accounting Standards, the Town (including the Electric Light enterprise fund) has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

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

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported. Since the Electric Light enterprise fund is funding its OPEB liability on a different schedule than the Town, their schedules have been presented separately.