

TOWN OF WHITMAN, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Whitman, Massachusetts

Additional Offices:

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Opinion

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

Other Matters

Required Supplementary Information

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

Melanson Heath

February 10, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Whitman, we offer readers this narrative overview and analysis of the financial activities of the Town of Whitman for the fiscal year ended June 30, 2014. Unless otherwise noted, all amounts are expressed in thousands.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$58,827 (i.e., net position), a change of \$(1,843) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$9,141, a change of \$11 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,543, a change of \$(131) in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$13,899, a change of \$(1,182) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 11,646	\$ 11,668	\$ 9,892	\$ 9,315	\$ 21,538	\$ 20,983
Capital assets	<u>25,010</u>	<u>26,468</u>	<u>30,737</u>	<u>31,625</u>	<u>55,747</u>	<u>58,093</u>
Total assets	36,656	38,136	40,629	40,940	77,285	79,076
Long-term liabilities outstanding	12,072	12,578	4,804	5,169	16,876	17,747
Other liabilities	<u>535</u>	<u>560</u>	<u>1,045</u>	<u>99</u>	<u>1,580</u>	<u>659</u>
Total liabilities	12,607	13,138	5,849	5,268	18,456	18,406
Net position:						
Net investment in capital assets	15,809	16,451	26,328	26,775	42,137	43,226
Restricted	1,632	1,546	-	-	1,632	1,546
Unrestricted	<u>6,607</u>	<u>7,000</u>	<u>8,451</u>	<u>8,898</u>	<u>15,058</u>	<u>15,898</u>
Total net position	<u>\$ 24,048</u>	<u>\$ 24,997</u>	<u>\$ 34,779</u>	<u>\$ 35,673</u>	<u>\$ 58,827</u>	<u>\$ 60,670</u>

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,490	\$ 2,499	\$ 4,326	\$ 4,280	\$ 6,816	\$ 6,779
Operating grants and contributions	975	1,020	-	-	975	1,020
General revenues:						
Property taxes	20,091	20,032	-	-	20,091	20,032
Excises	1,742	1,410	-	-	1,742	1,410
Penalties and interest on taxes	341	274	-	-	341	274
Grants and contributions not restricted to specific programs	2,251	2,155	115	138	2,366	2,293
Investment income	50	15	21	22	71	37
Other	13	147	-	-	13	147
Total revenues	<u>27,953</u>	<u>27,552</u>	<u>4,462</u>	<u>4,440</u>	<u>32,415</u>	<u>31,992</u>
Expenses:						
General government*	5,527	5,137	-	-	5,527	5,137
Public safety	6,196	6,109	-	-	6,196	6,109
Education	12,806	12,292	-	-	12,806	12,292
Public works	3,132	3,111	-	-	3,132	3,111
Human services	612	549	-	-	612	549
Culture and recreation	506	522	-	-	506	522
Interest on long-term debt	344	333	-	-	344	333
Intergovernmental	180	177	-	-	180	177
Water	-	-	1,847	2,075	1,847	2,075
Sewer	-	-	1,410	1,565	1,410	1,565
Total expenses	<u>29,303</u>	<u>28,230</u>	<u>3,257</u>	<u>3,640</u>	<u>32,560</u>	<u>31,870</u>
Change in net position before Transfers and Special Item	(1,350)	(678)	1,205	800	(145)	122
Transfers in (out)	401	123	(401)	(123)	-	-
Special Item: Payment to City of Brockton	-	-	(1,698)	(1,640)	(1,698)	(1,640)
Increase(Decrease) in net position	(949)	(555)	(894)	(963)	(1,843)	(1,518)
Net position - beginning of year	<u>24,997</u>	<u>25,552</u>	<u>35,673</u>	<u>36,636</u>	<u>60,670</u>	<u>62,188</u>
Net position - end of year	<u>\$ 24,048</u>	<u>\$ 24,997</u>	<u>\$ 34,779</u>	<u>\$ 35,673</u>	<u>\$ 58,827</u>	<u>\$ 60,670</u>

*Includes Employee Benefits

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$58,827, a change of \$(1,843) from the prior year.

The largest portion of net position \$42,137 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$1,632 represents resources that are subject to external restrictions on how they may be used. The remaining net position of \$15,059 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(949). Key elements of this change are as follows:

Depreciation in excess of debt service expense	\$ (977)
Other	<u>28</u>
Total	<u><u>\$ (949)</u></u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(894). Key elements of this change are as follows:

Enterprise fund operations	\$ 804
Payment to City of Brockton (Sewer Fund)	<u>(1,698)</u>
Total	<u><u>\$ (894)</u></u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$9,141, a change of \$11 in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures and transfers out in excess of revenues and transfers in	\$ (175)
Capital project fund revenues and transfers in over expenditures	100
Special revenue fund revenues and transfers in over expenditures and transfers out	<u>86</u>
Total	<u>\$ 11</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,543, while total fund balance was \$6,723. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 3,543	\$ 3,674	\$ (131)	12.7%
Total fund balance ²	6,723	6,898	(175)	24.1%

¹ Includes General Stabilization fund of \$2,550.

² Includes General, Capital, and Technology Stabilization funds.

The total fund balance of the general fund changed by \$(175) during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (1,286)
Other uses (snow and ice deficit)	<u>218</u>
Net	(1,068)
Revenues in excess of budget	718
Expenditures less than budget	92
Other	<u>83</u>
Total	<u>\$ (175)</u>

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

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
General stabilization (unassigned)	\$ 2,550	\$ 2,514	\$ 36
Capital stabilization (committed)	1,812	1,807	5
Technology stabilization (committed)	91	50	41
Regional schools capital stabilization (committed)	<u>25</u>	<u>-</u>	<u>25</u>
Total	<u>\$ 4,478</u>	<u>\$ 4,371</u>	<u>\$ 107</u>

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

During the fiscal year 2014 Annual Town Meeting, the Town voted to combine its separate Water and Sewer enterprise funds into a single Water-Sewer Enterprise Fund, effective July 1, 2013.

Unrestricted net position of the water-sewer enterprise fund at the end of the year amounted to \$8,451, a change of \$(447) in comparison to the prior year.

The change in net position of the combined water and sewer enterprise fund of \$805 (exclusive of the Special item – Payment to Brockton) represents a planned increase in reserves to help mitigate the anticipated increases in debt service costs. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$(341). Major reasons for these amendments include:

- \$ (447) reduction in the original budget
- \$ 15 appropriated for the payment of fire department expenditures, funded by the Ambulance Fund.
- \$ 13
appropriated for the payment of police department expenditures, funded by Motor Vehicle fines.
- \$ 3 appropriated for the payment of animal shelter expenditures, funded by Animal Control gifts.
- \$ 25 appropriated to establish Regional Schools Capital Stabilization Fund, funded by free cash
- \$ 50 appropriated to fund accessibility improvements to the Town Park, funded by free cash

The Town also transferred certain appropriations between departments and transfers out.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$55,747 (net of accumulated depreciation), a change of \$(2,346) from the prior year. This investment in capital assets includes

land, buildings and improvements, machinery and equipment, vehicles, and infrastructure.

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

- Purchase of machinery and equipment
- Repairing and constructing streets and sidewalks
- Annual Depreciation expense

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

Credit rating. During the fiscal year, the Moody's credit rating of Aa3 did not change.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$13,899, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Whitman's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town Manager
Town of Whitman
54 South Avenue - P.O. Box 426
Whitman, MA 02382-0426

TOWN OF WHITMAN, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 7,150,435	\$ 6,970,464	\$ 14,120,899
Investments	2,496,824	-	2,496,824
Receivables, net of allowance for uncollectibles:			
Property taxes	648,225	-	648,225
Excises	167,342	-	167,342
User fees	178,942	1,805,823	1,984,765
Departmental and other	119,053	-	119,053
Intergovernmental	178,350	114,211	292,561
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	706,765	-	706,765
Intergovernmental	-	1,001,501	1,001,501
Capital assets not being depreciated	1,869,408	637,006	2,506,414
Capital assets, net of accumulated depreciation	<u>23,140,205</u>	<u>30,099,507</u>	<u>53,239,712</u>
TOTAL ASSETS	36,655,549	40,628,512	77,284,061
LIABILITIES			
Current:			
Warrants payable	273,247	-	273,247
Due to other governments	-	753,931	753,931
Accrued liabilities	160,647	81,987	242,634
Notes payable	8,500	199,800	208,300
Other current liabilities	92,542	9,028	101,570
Current portion of long-term liabilities:			
Bonds payable	735,936	452,127	1,188,063
Capital leases	143,734	-	143,734
Noncurrent:			
Bonds payable, net of current portion	8,754,495	3,956,460	12,710,955
Net OPEB obligation	2,338,701	395,883	2,734,584
Capital leases, net of current portion	<u>99,271</u>	<u>-</u>	<u>99,271</u>
TOTAL LIABILITIES	12,607,073	5,849,216	18,456,289
NET POSITION			
Net investment in capital assets	15,808,997	26,327,926	42,136,923
Restricted for:			
Grants and other statutory restrictions	1,343,933	-	1,343,933
Permanent funds:			
Nonexpendable	15,171	-	15,171
Expendable	273,007	-	273,007
Unrestricted	<u>6,607,368</u>	<u>8,451,370</u>	<u>15,058,738</u>
TOTAL NET POSITION	\$ <u>24,048,476</u>	\$ <u>34,779,296</u>	\$ <u>58,827,772</u>

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

TOWN OF WHITMAN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net(Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 2,075,090	\$ 598,555	\$ 78,118	\$ -	\$ (1,398,417)	\$ -	\$ (1,398,417)
Public safety	6,196,063	703,699	10,658	-	(5,481,706)	-	(5,481,706)
Education	12,806,063	-	657,153	-	(12,148,910)	-	(12,148,910)
Public works	3,131,905	1,116,506	198,532	-	(1,816,867)	-	(1,816,867)
Health and human services	611,945	14,744	9,735	-	(587,466)	-	(587,466)
Culture and recreation	505,935	56,457	21,098	-	(428,380)	-	(428,380)
Employee benefits	3,452,857	-	-	-	(3,452,857)	-	(3,452,857)
Interest	344,044	-	-	-	(344,044)	-	(344,044)
Intergovernmental	180,119	-	-	-	(180,119)	-	(180,119)
Total Governmental Activities	29,304,021	2,489,961	975,294	-	(25,838,766)	-	(25,838,766)
Business-Type Activities:							
Water services	1,846,446	2,828,703	-	-	-	982,257	982,257
Sewer services	1,409,868	1,497,608	-	-	-	87,740	87,740
Total Business-Type Activities	3,256,314	4,326,311	-	-	-	1,069,997	1,069,997
Total	\$ 32,560,335	\$ 6,816,272	\$ 975,294	\$ -	(25,838,766)	1,069,997	(24,768,769)
General Revenues, Transfers and Special Items:							
Property taxes					20,090,865	-	20,090,865
Excises					1,742,030	-	1,742,030
Penalties, interest and other taxes					341,265	-	341,265
Grants and contributions not restricted to specific programs					2,250,813	114,782	2,365,595
Investment income					50,145	21,178	71,323
Miscellaneous					13,252	-	13,252
Transfers, net					401,385	(401,385)	-
Special item: Payment to City of Brockton					-	(1,698,173)	(1,698,173)
Total general revenues, transfers and special item					24,889,755	(1,963,598)	22,926,157
Change in Net Position					(949,011)	(893,601)	(1,842,612)
Net Position:							
Beginning of year					24,997,487	35,672,897	60,670,384
End of year					\$ 24,048,476	\$ 34,779,296	\$ 58,827,772

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

TOWN OF WHITMAN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 4,783,179	\$ 2,367,257	\$ 7,150,436
Investments	2,437,195	59,629	2,496,824
Receivables:			
Property taxes	1,572,417	-	1,572,417
Excises	263,765	-	263,765
User fees	201,796	-	201,796
Departmental and other	-	222,441	222,441
Intergovernmental	178,350	-	178,350
TOTAL ASSETS	\$ 9,436,702	\$ 2,649,327	\$ 12,086,029
LIABILITIES			
Warrants payable	\$ 273,247	\$ -	\$ 273,247
Accrued liabilities	134,436	-	134,436
Notes payable	-	8,500	8,500
Other liabilities	92,542	-	92,542
TOTAL LIABILITIES	500,225	8,500	508,725
DEFERRED INFLOWS OF RESOURCES	2,213,868	222,441	2,436,309
FUND BALANCES			
Nonspendable	-	15,171	15,171
Restricted	-	2,203,215	2,203,215
Committed	3,025,870	200,000	3,225,870
Assigned	153,268	-	153,268
Unassigned	3,543,471	-	3,543,471
TOTAL FUND BALANCES	6,722,609	2,418,386	9,140,995
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,436,702	\$ 2,649,327	\$ 12,086,029

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

TOWN OF WHITMAN, MASSACHUSETTS

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

JUNE 30, 2014

Total governmental fund balances	\$ 9,140,995
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,009,613
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,996,217
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(26,212)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, capital lease payable, and other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(12,072,137)</u>
Net position of governmental activities	<u><u>\$ 24,048,476</u></u>

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

TOWN OF WHITMAN, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2014

	General Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 20,111,966	\$ -	\$ 20,111,966
Excises	1,673,984	-	1,673,984
Penalties, interest, and other taxes	341,265	-	341,265
Charges for services	1,376,501	920,077	2,296,578
Intergovernmental	2,979,932	246,176	3,226,108
Licenses and permits	250,264	-	250,264
Investment income	48,425	1,721	50,146
Miscellaneous	<u>13,254</u>	<u>-</u>	<u>13,254</u>
Total Revenues	26,795,591	1,167,974	27,963,565
Expenditures:			
Current:			
General government	1,726,792	44,160	1,770,952
Public safety	5,783,676	106,322	5,889,998
Education	12,796,872	-	12,796,872
Public works	2,289,873	207,987	2,497,860
Health and human services	580,101	27,437	607,538
Culture and recreation	400,222	78,951	479,173
Employee benefits	3,043,511	-	3,043,511
Debt service	1,086,841	-	1,086,841
Intergovernmental	180,119	-	180,119
Miscellaneous	<u>667</u>	<u>-</u>	<u>667</u>
Total Expenditures	<u>27,888,674</u>	<u>464,857</u>	<u>28,353,531</u>
Excess (deficiency) of revenues over expenditures	(1,093,083)	703,117	(389,966)
Other Financing Sources (Uses):			
Transfers in	1,123,271	205,811	1,329,082
Transfers out	<u>(205,811)</u>	<u>(721,886)</u>	<u>(927,697)</u>
Total Other Financing Sources (Uses)	<u>917,460</u>	<u>(516,075)</u>	<u>401,385</u>
Change in fund balance	(175,623)	187,042	11,419
Fund Equity, at Beginning of Year	<u>6,898,232</u>	<u>2,231,344</u>	<u>9,129,576</u>
Fund Equity, at End of Year	<u>\$ 6,722,609</u>	<u>\$ 2,418,386</u>	<u>\$ 9,140,995</u>

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

TOWN OF WHITMAN, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2014

Net Changes in Fund Balances - Total Governmental Funds	\$ 11,419														
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td style="padding-left: 40px;">Capital outlay purchases, net of disposals</td> <td style="text-align: right;">259,968</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation, net</td> <td style="text-align: right;">(1,718,413)</td> </tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td> <td style="text-align: right;">(9,936)</td> </tr> </table> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">740,936</td> </tr> </table> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table> <tr> <td></td> <td style="text-align: right;">1,858</td> </tr> </table> Some expenses reported in the Statement of Activities, such as OPEB liability, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td style="padding-left: 40px;">Increase in net OPEB obligation</td> <td style="text-align: right;">(409,346)</td> </tr> <tr> <td style="padding-left: 40px;">Change in capital leases</td> <td style="text-align: right;"><u>174,503</u></td> </tr> </table> 		Capital outlay purchases, net of disposals	259,968	Depreciation, net	(1,718,413)		(9,936)	Repayments of debt	740,936		1,858	Increase in net OPEB obligation	(409,346)	Change in capital leases	<u>174,503</u>
Capital outlay purchases, net of disposals	259,968														
Depreciation, net	(1,718,413)														
	(9,936)														
Repayments of debt	740,936														
	1,858														
Increase in net OPEB obligation	(409,346)														
Change in capital leases	<u>174,503</u>														
Change in Net Position of Governmental Activities	\$ <u>(949,011)</u>														

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

TOWN OF WHITMAN, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 20,493,297	\$ 20,045,803	\$ 20,045,803	\$ -
Excise taxes	1,427,000	1,427,000	1,673,984	246,984
Interest, penalties, and other taxes	137,000	137,000	341,265	204,265
Licenses and permits	232,000	232,000	250,264	18,264
Intergovernmental	2,357,699	2,357,699	2,480,573	122,874
Charges for services	1,296,000	1,296,000	1,376,501	80,501
Investment income	10,000	10,000	7,459	(2,541)
Other revenues	-	-	48,008	48,008
Total Revenues	<u>25,952,996</u>	<u>25,505,502</u>	<u>26,223,857</u>	<u>718,355</u>
Expenditures:				
General government	1,989,740	1,932,046	1,796,026	136,020
Public safety	5,935,814	5,908,634	5,839,897	68,737
Education	12,364,272	12,274,075	12,269,570	4,505
Public works	2,274,714	2,098,358	2,291,332	(192,974)
Health and human services	517,346	586,058	579,961	6,097
Culture and recreation	415,984	462,984	453,811	9,173
Debt service	1,091,941	1,086,841	1,086,841	-
Intergovernmental	178,983	178,983	180,119	(1,136)
Employee benefits	3,255,664	3,126,340	3,065,499	60,841
Miscellaneous	1,000	1,000	667	333
Total Expenditures	<u>28,025,458</u>	<u>27,655,319</u>	<u>27,563,723</u>	<u>91,596</u>
Excess of revenues over expenditures	(2,072,462)	(2,149,817)	(1,339,866)	809,951
Other Financing Sources (Uses):				
Transfers in	1,084,458	1,115,493	1,123,271	7,778
Transfers out	(5,000)	(33,680)	(39,491)	(5,811)
Other sources (free cash)	1,210,915	1,285,915	-	(1,285,915)
Other uses (snow and ice deficit)	(217,911)	(217,911)	-	217,911
Excess of expenditures and other uses over revenues and other sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (256,086)</u>	<u>\$ (256,086)</u>

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

TOWN OF WHITMAN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-Type <u>Activities</u> Water-Sewer Enterprise <u>Fund</u>
<u>ASSETS</u>	
Current:	
Cash and short-term investments	\$ 6,970,464
User fees, net of allowance for uncollectibles	1,805,823
Intergovernmental receivables	<u>114,211</u>
Total current assets	8,890,498
Noncurrent:	
Intergovernmental receivables	1,001,501
Capital assets not being depreciated	637,006
Capital assets, net of accumulated depreciation	<u>30,099,507</u>
Total noncurrent assets	<u>31,738,014</u>
TOTAL ASSETS	40,628,512
<u>LIABILITIES</u>	
Current:	
Due to other governments	753,931
Accrued liabilities	81,987
Notes payable	199,800
Other current liabilities	9,028
Current portion of long-term liabilities:	
Bonds payable	<u>452,127</u>
Total current liabilities	1,496,873
Noncurrent:	
Bonds payable, net of current portion	3,956,460
Net OPEB obligation	<u>395,883</u>
Total noncurrent liabilities	<u>4,352,343</u>
TOTAL LIABILITIES	5,849,216
<u>NET POSITION</u>	
Net investment in capital assets	26,327,926
Unrestricted	<u>8,451,370</u>
TOTAL NET POSITION	\$ <u><u>34,779,296</u></u>

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

TOWN OF WHITMAN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities <u>Water-Sewer Enterprise Fund</u>
Operating Revenues:	
Charges for services	\$ <u>4,326,311</u>
Total Operating Revenues	4,326,311
Operating Expenses:	
Personnel	612,172
Non personnel	1,385,771
Depreciation	963,235
Capital outlay	111,002
Other	<u>2,085</u>
Total Operating Expenses	<u>3,074,265</u>
Operating Income	1,252,046
Nonoperating Revenues (Expenses):	
Intergovernmental revenue	114,782
Investment income	21,178
Interest expense	<u>(182,049)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(46,089)</u>
Income Before Transfers and Special Item	1,205,957
Transfers out	(401,385)
Special item: Payment to City of Brockton	<u>(1,698,173)</u>
Change in Net Position	(893,601)
Net Position at Beginning of Year	<u>35,672,897</u>
Net Position at End of Year	<u>\$ <u>34,779,296</u></u>

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

TOWN OF WHITMAN, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities <u>Water-Sewer Enterprise Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 4,128,061
Payments to vendors	(752,215)
Payments to employees	<u>(535,112)</u>
Net Cash Provided By Operating Activities	2,840,734
<u>Cash Flows From Noncapital Financing Activities:</u>	
Payment to City of Brockton	(1,698,173)
Intergovernmental revenues	221,954
Transfer out	<u>(401,385)</u>
Net Cash Provided by (used for) Noncapital Financing Activities	(1,877,604)
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Principal payments on bonds and notes	(441,726)
Proceeds of notes	199,800
Capital contribution	(74,500)
Interest expense	<u>(182,260)</u>
Net Cash (Used For) Capital and Related Financing Activities	(498,686)
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>21,179</u>
Net Cash Provided by Investing Activities	<u>21,179</u>
Net Change in Cash and Short-Term Investments	485,623
Cash and Short-Term Investments, Beginning of Year	<u>6,484,841</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 6,970,464</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ 1,252,046
Adjustments to reconcile operating income(loss) to net cash provided by (used for) operating activities:	
Depreciation	963,235
Changes in assets and liabilities:	
User fees	(198,249)
Other liabilities	746,643
Net OPEB obligation	<u>77,059</u>
Net Cash Provided By Operating Activities	<u><u>\$ 2,840,734</u></u>

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

TOWN OF WHITMAN, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2014

	<u>Other Post- Employment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 11,034	\$ 270,347	\$ 369,265
Investments	<u>-</u>	<u>91,332</u>	<u>-</u>
Total Assets	11,034	361,679	369,265
 <u>LIABILITIES AND NET ASSETS</u>			
Other liabilities	<u>-</u>	<u>-</u>	<u>369,265</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>369,265</u>
 <u>NET POSITION</u>			
Net position	<u>\$ 11,034</u>	<u>\$ 361,683</u>	<u>\$ -</u>

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

TOWN OF WHITMAN, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Other Post- Employment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions:		
Contributions	\$ 5,000	\$ -
Investment income	<u>22</u>	<u>21,596</u>
Total additions	5,022	21,596
Deductions:		
Other	<u>-</u>	<u>6,923</u>
Total deductions	<u>-</u>	<u>6,923</u>
Net	5,022	14,673
Net position:		
Beginning of year	<u>6,012</u>	<u>347,010</u>
End of year	<u>\$ 11,034</u>	<u>\$ 361,683</u>

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

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2014, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual govern-

mental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The government reports the following major governmental fund:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from

providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary fund:

- The *Enterprise fund* is used to account for the operation of Town wells and the Town Water System as well as the operation of Town sewer lines and treatment plants.

The *post-employment insurance liability trust fund* is used to account for funds to offset the anticipated cost of premium payments for or direct payments to be made to retired employees of the Town, and to any eligible surviving spouse of or dependents of deceased employees of the Town.

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

The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. *Agency funds* report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

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

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

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

E. Investments

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

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

F. Property Tax Limitations

The Town has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2014 tax levy reflected an excess capacity of \$400,183.

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of

capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Machinery, equipment and furnishings	5

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

J. Fund Equity

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.

- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

Net Position - Net position represents the difference between assets and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

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

L. Material Changes in Classifications

The accompanying financial statements reflect a change in classification from the prior year. Specifically, during the fiscal year 2014 Annual Town Meeting, the Town voted to combine its separate Water and Sewer enterprise funds into a single Water-Sewer Enterprise Fund, effective July 1, 2013.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 26,795,591	\$ 27,888,674
Other financing sources/uses (GAAP Basis)	<u>1,123,271</u>	<u>205,811</u>
Subtotal (GAAP Basis)	27,918,862	28,094,485
Adjust tax revenue to accrual basis	(66,163)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(42,674)
Add end-of-year appropriation carryforwards from expenditures	-	201,673
To reverse nonbudgeted activity	(6,212)	(150,911)
To reverse the effect of non- budgeted State contributions for teachers retirement	<u>(499,359)</u>	<u>(499,359)</u>
Budgetary Basis	<u>\$ 27,347,128</u>	<u>\$ 27,603,214</u>

3. Cash and Short-Term Investments

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

As of June 30, 2014, \$364,107 of the Town's bank balance of \$14,875,824 was exposed to custodial credit risk as uninsured or uncollateralized. However, \$72,868 of the exposed balance was on deposit with Massachusetts Municipal Depository Trust (MMDT).

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	Fair Value	Exempt From Disclosure	Rating as of Year-end				
			Aaa	A1	A3	Baa1	N/A
Federal equities	\$ 20	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate equities	151	151	-	-	-	-	-
U.S. Treasury notes	836	-	836	-	-	-	-
Certificates of deposits	1,025	-	-	-	-	-	1,025
Corporate bonds	245	-	-	67	50	128	-
Mutual funds	311	311	-	-	-	-	-
Total investments	\$ <u>2,588</u>	\$ <u>482</u>	\$ <u>836</u>	\$ <u>67</u>	\$ <u>50</u>	\$ <u>128</u>	\$ <u>1,025</u>

B. Custodial Credit Risk

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

Of the Town's investment of \$2,588,156, the government has a custodial credit risk exposure of \$1,563,668 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows (in thousands):

<u>Investment Issuer</u>	<u>Amount</u>
Ally Bank Midvale Utah CD	\$ 141
State Bank India New York	161
Goldman Sachs Bank USA NY	246
Federal Home Loan MTG Corp	366
Federal Home Loan Bank	225
First Bank PR Santurce	176
United States Treasury Note	<u>245</u>
Total	<u>\$ 1,560</u>

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy states the Town will manage interest rate risk by managing duration in the account.

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

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
Debt-related Securities:			
U.S. Treasury notes	\$ 836	\$ -	\$ 836
Certificates of deposit	1,025	346	678
Corporate bonds	<u>245</u>	<u>128</u>	<u>117</u>
Total	<u>\$ 2,106</u>	<u>\$ 474</u>	<u>\$ 1,631</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy for foreign currency risk states the Town will not invest in any investment exposed to foreign currency risk.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they

are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to. Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2014 consist of the following (in thousands):

Real Estate		
2014	\$ 524	
2013	188	
Prior	<u>15</u>	
		727
Personal Property		
2014	5	
2013	4	
Prior	<u>17</u>	
		26
Tax Liens		785
Deferrals		<u>34</u>
Total		<u>\$ 1,572</u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 217	\$ -
Excises	\$ 96	\$ -
Departmental	\$ 103	\$ -
User fees	\$ 23	\$ 105

7. Intergovernmental Receivables

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

8. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 18,149	\$ 57	\$ -	\$ 18,206
Machinery, equipment, furnishings, and vehicles	6,476	207	(200)	6,483
Infrastructure	<u>34,707</u>	<u>196</u>	<u>-</u>	<u>34,903</u>
Total capital assets, being depreciated	59,332	460	(200)	59,592
Less accumulated depreciation for:				
Buildings and improvements	(6,538)	(792)	-	(7,330)
Machinery, equipment, furnishings, and vehicles	(4,865)	(258)	160	(4,963)
Infrastructure	<u>(23,330)</u>	<u>(828)</u>	<u>-</u>	<u>(24,158)</u>
Total accumulated depreciation	<u>(34,733)</u>	<u>(1,878)</u>	<u>160</u>	<u>(36,451)</u>
Total capital assets, being depreciated, net	24,599	(1,418)	(40)	23,141
Capital assets, not being depreciated:				
Land	1,754	-	-	1,754
Art and historical treasure	<u>115</u>	<u>-</u>	<u>-</u>	<u>115</u>
Total capital assets, not being depreciated	<u>1,869</u>	<u>-</u>	<u>-</u>	<u>1,869</u>
Governmental activities capital assets, net	<u>\$ 26,468</u>	<u>\$ (1,418)</u>	<u>\$ (40)</u>	<u>\$ 25,010</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,974	\$ -	\$ -	\$ 4,974
Machinery, equipment, furnishings, and vehicles	695	75	-	770
Infrastructure	<u>45,275</u>	<u>-</u>	<u>-</u>	<u>45,275</u>
Total capital assets, being depreciated	50,944	75	-	51,019
Less accumulated depreciation for:				
Buildings and improvements	(2,565)	(142)	-	(2,707)
Machinery, equipment, furnishings, and vehicles	(647)	(18)	-	(665)
Infrastructure	<u>(16,744)</u>	<u>(803)</u>	<u>-</u>	<u>(17,547)</u>
Total accumulated depreciation	<u>(19,956)</u>	<u>(963)</u>	<u>-</u>	<u>(20,919)</u>
Total capital assets, being depreciated, net	30,988	(888)	-	30,100
Capital assets, not being depreciated:				
Land	<u>637</u>	<u>-</u>	<u>-</u>	<u>637</u>
Total capital assets, not being depreciated	<u>637</u>	<u>-</u>	<u>-</u>	<u>637</u>
Business-type activities capital assets, net	<u>\$ 31,625</u>	<u>\$ (888)</u>	<u>\$ -</u>	<u>\$ 30,737</u>

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

Governmental Activities:	
General government	\$ 320
Public safety	536
Education	9
Public works	982
Culture and recreation	27
Health and human services	<u>4</u>
Total depreciation expense - governmental activities	<u>\$ 1,878</u>
 Business-Type Activities	 <u>\$ 963</u>

9. Warrants Payable

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

10. Anticipation Notes Payable

The Town had the following anticipation notes outstanding at June 30, 2014.

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance End of Year</u>
			Upon Construction	
State Revolving Loan (MWPAT)	0.00%	6/28/13	Completion	\$ 8,500
Water Mains (State House Loan)	0.55%	6/13/14	6/12/15	<u>199,800</u>
Total				<u>\$ 208,300</u>

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

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
State Revolving Loan (MWPAT)	\$ 2,500	\$ 8,800	\$ (2,800)	\$ 8,500
Water Mains (State House Loan)	<u>-</u>	<u>199,800</u>	<u>-</u>	<u>199,800</u>
Total	<u>\$ 2,500</u>	<u>\$ 208,600</u>	<u>\$ (2,800)</u>	<u>\$ 208,300</u>

11. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2016. Future minimum lease payments under capital leases consisted of the following as of June 30, 2014:

<u>Fiscal</u> <u>Year</u>	<u>Governmental</u> <u>Activities</u>
2015	\$ 151,480
2016	<u>102,003</u>
Total minimum lease payments	253,483
Less amounts representing interest	<u>(10,478)</u>
Present Value of Minimum Lease Payments	<u>\$ 243,005</u>

12. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/14</u>
MWPAT and DW	08/01/19	4.10 - 5.75%	\$ 22,954
MWPAT and DW	08/01/24	5.00 - 5.25%	22,477
General obligation - police, fire, town hall	06/01/30	3.00 - 5.00%	8,410,000
General obligation - refunding bond	12/15/19	1.00 - 1.50%	<u>1,035,000</u>
Total Governmental Activities:			<u>\$ 9,490,431</u>
<u>Business-Type Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/14</u>
MWPAT and DW - water	08/01/22	3.00 - 5.25%	\$ 2,811,576
MWPAT and DW - water	08/01/20	4.50 - 5.75%	870,000
General obligation- water refunding	12/15/19	1.00 - 1.50%	260,000
MWPAT CWS - 0819 series 15	06/15/30	2.00%	222,861
MWPAT CWS - 0819 series 16	06/15/30	2.00%	<u>244,150</u>
Total Business-Type Activities:			<u>\$ 4,408,587</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 735,936	\$ 330,246	\$ 1,066,182
2016	725,873	311,986	1,037,859
2017	710,873	288,388	999,261
2018	695,873	265,077	960,950
2019	690,873	241,723	932,596
2020 - 2024	2,779,027	895,418	3,674,445
2025 - 2029	2,626,976	420,049	3,047,025
2030	<u>525,000</u>	<u>21,000</u>	<u>546,000</u>
Total	<u>\$ 9,490,431</u>	<u>\$ 2,773,887</u>	<u>\$ 12,264,318</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 452,127	\$ 165,993	\$ 618,120
2016	462,560	146,400	608,960
2017	477,979	124,106	602,085
2018	498,382	107,153	605,535
2019	508,819	95,229	604,048
2020 - 2024	1,797,718	154,522	1,952,240
2025 - 2029	147,780	13,825	161,605
2030 - 2031	<u>63,222</u>	<u>1,271</u>	<u>64,493</u>
Total	<u>\$ 4,408,587</u>	<u>\$ 808,499</u>	<u>\$ 5,217,086</u>

C. Changes in General Long-Term Liabilities

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

	<u>Total</u>		<u>Total</u>		<u>Less</u>	<u>Equals</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>
	<u>7/1/13</u>			<u>6/30/14</u>	<u>Portion</u>	<u>Portion</u>
						<u>6/30/14</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 10,231	\$ -	\$ (741)	\$ 9,490	\$ (736)	\$ 8,754
Net OPEB obligation	1,929	1,166	(756)	2,339	-	2,339
Capital leases	418	38	(213)	243	(144)	99
Totals	<u>\$ 12,578</u>	<u>\$ 1,204</u>	<u>\$ (1,710)</u>	<u>\$ 12,072</u>	<u>\$ (880)</u>	<u>\$ 11,192</u>

	Total Balance <u>7/1/13</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/14</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u> <u>6/30/14</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 4,850	\$ -	\$ (441)	\$ 4,409	\$ (452)	\$ 3,957
Net OPEB obligation	<u>319</u>	<u>100</u>	<u>(23)</u>	<u>396</u>	<u>-</u>	<u>396</u>
Totals	<u>\$ 5,169</u>	<u>\$ 100</u>	<u>\$ (464)</u>	<u>\$ 4,805</u>	<u>\$ (452)</u>	<u>\$ 4,353</u>

13. Deferred Inflows of Resources

The Town implemented GASB 65, *Items Previously Reported as Assets and Liabilities*. Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

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.

The balance of the General Fund *unavailable revenues* account is equal to the total of all June 30, 2014 receivable balances.

14. Restricted Net Position

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

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

15. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2014:

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, Stabilization and other reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. This fund balance classification also includes the use of free cash to cover projected budgetary shortfall in the subsequent period. The Town follows an informal policy that permits management to assign fund balance amounts to a specific purpose, although fund balance to be applied against a subsequent year's budget is voted by Town Meeting.

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

Following is a breakdown of the Town's fund balances at June 30, 2014:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 15,171	\$ 15,171
Total Nonexpendable	-	15,171	15,171
Restricted			
Bonded capital projects	-	532,819	532,819
Federal grants	-	1,772	1,772
State grants	-	51,934	51,934
Receipts reserved	-	279,902	279,902
Ambulance service	-	796,345	796,345
Revolving funds	-	116,169	116,169
Other special revenue funds	-	97,813	97,813
Expendable permanent funds	-	326,461	326,461
Total Restricted	-	2,203,215	2,203,215
Committed			
Town Hall Air Conditioning	-	200,000	200,000
Capital	1,812,400	-	1,812,400
Debt service	846,663	-	846,663
Technology	90,587	-	90,587
Regional schools	25,005	-	25,005
Articles	251,215	-	251,215
Total Committed	3,025,870	200,000	3,225,870
Assigned			
Town Encumbrances	31,918	-	31,918
For FY15 expenditures	121,350	-	121,350
Total Assigned	153,268	-	153,268
Unassigned ¹	3,543,471	-	3,543,471
Total Fund Balance	\$ 6,722,609	\$ 2,418,386	\$ 9,140,995

¹ Includes general stabilization of \$2,549,740

16. Interfund Fund Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund transfers must be utilized.

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2014:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,123,271	\$ 205,811
Nonmajor Funds:		
Special Revenue Funds:		
Revolving Funds	-	7,778
Small Animal Control	-	10,579
Ambulance Service	-	615,679
Debt Service Reserve	100,000	124,514
Receipts Reserved	5,811	63,336
Capital Project Funds:		
Town Hall Air Conditioning	<u>200,000</u>	<u>-</u>
Subtotal Nonmajor Funds ⁽¹⁾	305,811	821,886
<u>Business-Type Funds:</u>		
Water Fund	-	208,181
Sewer Fund	<u>-</u>	<u>193,204</u>
Grand Total	<u>\$ 1,429,082</u>	<u>\$ 1,429,082</u>

⁽¹⁾ Transfers in and out were netted on page 15 to eliminate activity within nonmajor governmental funds

The Business-type transfers out represent indirect costs based on an allocation of administrative costs and employee benefits. Transfers out from the Ambulance Service Fund to the General Fund of \$515,679 are used to fund fire salaries, leases, and other various public safety expenses in the General Fund. The Ambulance Service Fund generates approximately \$600,000 in revenues annually.

The other transfers are used to either move revenues from the fund that statute or budget requires the Town to collect to the fund that statute or budget requires the Town to expend, or use unrestricted revenues collected in the General Fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

17. Commitments and Contingencies

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

Abatements – There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town's counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

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

18. Pension Plan

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Plymouth County Retirement System at 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

A. Plan Description

The Town contributes to the Plymouth County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases to the State legislature. The System issues a publicly available financial report that can be obtained through the Plymouth County Retirement System at 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$1,542,164, \$1,480,837, and \$1,320,014, respectively, which were equal to its annual required contributions for each of these years. The payroll for employees covered by the System for the year ended June 30, 2014 was unknown.

C. Teachers

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

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

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

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

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

The Town's current year covered payroll for teachers and administrators was unavailable.

In fiscal year 2014, the Commonwealth of Massachusetts contributed \$499,359 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

19. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

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

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2012, the actuarial valuation date, approximately 131 retirees and 104 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

Retirees contribute 25% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the plan, and the change in the

Town's net OPEB obligation based on an actuarial valuation as of July 1, 2012.

Annual Required Contribution (ARC)	\$ 1,132,611
Interest on net OPEB obligation	89,927
Adjustment to ARC	<u>(82,000)</u>
Annual OPEB cost	1,140,538
Contributions made	<u>(654,133)</u>
Increase in net OPEB obligation	486,405
Net OPEB obligation - beginning of year	<u>2,248,179</u>
Net OPEB obligation - end of year	<u>\$ 2,734,584</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 1,140,538	57%	\$ 2,734,584
2013	\$ 1,099,086	60%	\$ 2,248,179
2012	\$ 1,101,696	65%	\$ 1,809,807
2011	\$ 1,051,780	67%	\$ 1,427,698
2010	\$ 1,113,081	56%	\$ 1,084,137
2009	\$ 1,177,566	50%	\$ 592,583

E. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 13,188,747
Actuarial value of plan assets	<u>(6,012)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 13,182,735</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 7,138,308</u>
UAAL as a percentage of covered payroll	<u>184.7%</u>

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

mined 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 Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 5.5% which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.0%.

20. Risk Management

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

21. Implementation of New GASB Standard

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

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

**June 30, 2014
(Unaudited)**

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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]
07/01/12	\$ 6,012	\$ 13,188,747	\$ 13,182,735	0.0%	\$ 7,138,308	184.7%
07/01/10	\$ -	\$ 12,996,490	\$ 12,996,490	0.0%	\$ 6,317,856	205.7%
07/01/08	\$ -	\$ 13,690,122	\$ 13,690,122	0.0%	\$ 4,921,115	278.2%

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/13	\$ 666,899,774	\$ 1,319,764,989	\$ 652,865,215	50.5%	\$ 238,655,485	273.6%
01/01/11	\$ 666,730,812	\$ 1,187,447,414	\$ 520,716,602	56.1%	\$ 228,289,638	228.1%
01/01/10	\$ 673,709,456	\$ 1,132,847,379	\$ 459,137,923	59.5%	\$ 227,507,647	201.8%
01/01/09	\$ 579,877,224	\$ 1,159,210,636	\$ 579,333,412	50.0%	\$ 264,541,078	219.0%
01/01/08	\$ 683,819,938	\$ 1,056,020,215	\$ 372,200,277	64.8%	\$ 252,682,832	147.3%

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

Plan Year-end	System Wide			Town of Whitman, MA	
	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of System
12/31/13	\$ 54,966,177	\$ 54,966,177	100%	\$ 1,542,164	2.8%
12/31/12	\$ 52,815,432	\$ 52,815,432	100%	1,480,837	2.8%
12/31/11	\$ 46,850,764	\$ 46,850,764	100%	1,320,014	4.4%
12/31/10	\$ 48,986,967	\$ 48,986,967	100%	1,312,533	4.2%

See Independent Auditors' Report.