

**TOWN OF WATERTOWN, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2014**

Town of Watertown, Massachusetts

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## INDEPENDENT AUDITORS' REPORT

To the Town Manager and Town Council  
Town of Watertown, 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 Watertown, Massachusetts, as of and for the year ended June 30, 2014, (except for the Watertown Contributory Retirement System which is as of and for the year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the Town of Watertown's basic financial statements as listed in the Table of Contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assess-

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

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information appearing on pages 58 through 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

*Melanson Heath*

September 10, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Watertown, we offer readers this narrative overview and analysis of the financial activities of the Town of Watertown for the fiscal year ended June 30, 2014.

### A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, education, public safety, public works, human services, recreation, and libraries. 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 \$96,284,277 (i.e., net position), a change of \$3,980,863 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$38,989,866, a change of \$9,989,561 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$12,377,366, a change of \$413,954 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$43,597,000, a change of \$4,991,980 in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 49,246	\$ 43,889	\$ 16,217	\$ 18,581	\$ 65,463	\$ 62,470
Capital assets	<u>101,655</u>	<u>99,718</u>	<u>9,941</u>	<u>6,641</u>	<u>111,596</u>	<u>106,359</u>
Total assets	150,901	143,607	26,158	25,222	177,059	168,829
Long-term liabilities outstanding	65,105	58,130	4,016	4,708	69,121	62,838
Other liabilities	<u>11,022</u>	<u>13,062</u>	<u>631</u>	<u>625</u>	<u>11,653</u>	<u>13,687</u>
Total liabilities	76,127	71,192	4,647	5,333	80,774	76,525
Net position:						
Net investment in capital assets	70,453	68,070	8,348	5,365	78,801	73,435
Restricted	6,245	5,598	-	-	6,245	5,598
Unrestricted	<u>(1,924)</u>	<u>(1,253)</u>	<u>13,163</u>	<u>14,524</u>	<u>11,239</u>	<u>13,271</u>
Total net position	\$ <u>74,774</u>	\$ <u>72,415</u>	\$ <u>21,511</u>	\$ <u>19,889</u>	\$ <u>96,285</u>	\$ <u>92,304</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 7,251	\$ 8,285	\$ 15,623	\$ 14,716	\$ 22,874	\$ 23,001
Operating grants and contributions	15,083	14,257	-	-	15,083	14,257
Capital grants and contributions	888	1,532	-	-	888	1,532
General revenues:						
Property taxes (including penalties and interest)	81,654	77,558	-	-	81,654	77,558
Excises	3,747	3,617	-	-	3,747	3,617
Penalties and interest on taxes	1,671	3,084	-	-	1,671	3,084
Grants and contributions not restricted to specific programs	9,718	9,045	-	-	9,718	9,045
Investment income	105	73	11	16	116	89
Other	2,639	1,902	160	10	2,799	1,912
Total revenues	<u>122,756</u>	<u>119,353</u>	<u>15,794</u>	<u>14,742</u>	<u>138,550</u>	<u>134,095</u>
<b>Expenses:</b>						
General government	5,380	5,498	-	-	5,380	5,498
Public safety	18,297	19,664	-	-	18,297	19,664
Education	46,212	48,448	-	-	46,212	48,448
Public works	10,808	10,598	-	-	10,808	10,598
Human services	1,167	1,111	-	-	1,167	1,111
Culture and recreation	4,361	4,234	-	-	4,361	4,234
Employee benefits	33,029	31,044	-	-	33,029	31,044
Intergovernmental	2,342	2,329	-	-	2,342	2,329
Interest on long-term debt	1,287	1,251	-	-	1,287	1,251
Miscellaneous	177	175	-	-	177	175
Water services	-	-	4,366	4,344	4,366	4,344
Sewer services	-	-	7,143	6,757	7,143	6,757
Total expenses	<u>123,060</u>	<u>124,352</u>	<u>11,509</u>	<u>11,101</u>	<u>134,569</u>	<u>135,453</u>
Change in net position before transfers	(304)	(4,999)	4,285	3,641	3,981	(1,358)
Transfers in (out)	<u>2,663</u>	<u>2,633</u>	<u>(2,663)</u>	<u>(2,633)</u>	<u>-</u>	<u>-</u>
Change in net position	2,359	(2,366)	1,622	1,008	3,981	(1,358)
Net position - beginning of year (as restated)	<u>72,415</u>	<u>74,781</u>	<u>19,889</u>	<u>18,881</u>	<u>92,304</u>	<u>93,662</u>
Net assets - end of year	<u>\$ 74,774</u>	<u>\$ 72,415</u>	<u>\$ 21,511</u>	<u>\$ 19,889</u>	<u>\$ 96,285</u>	<u>\$ 92,304</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$96,284,277, a change of \$3,980,863 from the prior year.

The largest portion of net position \$78,800,002 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$6,245,485 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$11,238,790 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$2,359,028. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 3,160,645
Nonmajor funds - accrual basis	3,958,282
Depreciation expense in excess of principal debt service	(1,956,595)
Accrued other post-employment benefits	(1,987,596)
MSBA receipt	(913,208)
Other GAAP accruals	<u>97,500</u>
Total	<u>\$ 2,359,028</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$1,621,835. Key elements of this change are as follows:

Water operations	\$ 842,967
Sewer operations	<u>778,868</u>
Total	<u>\$ 1,621,835</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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$38,989,866, a change of \$9,989,561 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 3,160,645
Nonmajor fund deficit	<u>6,828,916</u>
Total	<u>\$ 9,989,561</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 \$12,377,366, while total fund balance was \$24,227,048. 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	\$ 12,377,366	\$ 11,963,412	\$ 413,954	11.3%
Total fund balance	\$ 24,227,048	\$ 21,066,403	\$ 3,160,645	22.1%

The total fund balance of the general fund changed by \$3,160,645 during the current fiscal year. Key factors in this change are as follows:

Revenue surplus	\$ 1,742,264
Appropriation turnbacks by departments	1,721,914
Property tax collection short of net tax levy	(56,493)
Current year encumbrances to be spent in the subsequent year, over prior year encumbrances to be sent in the current year	645,586
Use of free cash as a funding source	(2,500,000)
Change in stabilization	<u>1,607,374</u>
Total	<u>\$ 3,160,645</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>
Stabilization	\$ 1,226,295	\$ 1,219,562	\$ 6,733
Capital Project Stabilization	2,007,716	2,004,528	3,188
OPEB Stabilization	1,081,687	1,079,879	1,808
Unfunded Pension Stabilization	1,258,805	1,503,104	(244,299)
ESCO Capital Project Stabilization	534,281	473,257	61,024
Collective Bargaining Stabilization	1,698,920	710,000	988,920
SPED Stabilization	<u>790,000</u>	<u>-</u>	<u>790,000</u>
Total	<u>\$ 8,597,704</u>	<u>\$ 6,990,330</u>	<u>\$ 1,607,374</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$13,163,283, a change of \$(1,360,381) in comparison to the prior year.

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

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

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$1,148,871. Major reasons for these amendments include:

- \$(2,288,545) reduction in the Town Council Reserve Fund
- \$(50,032) general government appropriations and reclassifications
- \$125,868 increase in Public Safety appropriations
- \$(49,843) decrease in Public Works appropriations
- \$(81,784) decrease in Health and Human Services appropriations
- \$(34,773) decrease in culture and recreation
- \$(14,000) decrease in Employee Benefits appropriations
- \$223 decrease in intergovernmental appropriations
- \$210,000 increase in miscellaneous appropriations
- \$3,331,757 increase in transfers

Of this increase, \$1,092,240 was funded from property taxes, \$1,000,000 from free cash, \$(1,303,586) reduction in other taxes, and a \$360,217 in state aid.

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$111,595,768 (net of accumulated depreciation), a change of \$5,237,539 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

- Energy building improvements of \$4,4304,422
- Water mains of \$1,183,946
- Sewer mains and drainage \$1,892,910

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

**Change in credit rating.** The Town's bond rating from Standard & Poors was upgraded from AA+ to AAA during fiscal year 2014.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$43,597,000, all of which was backed by the full faith and credit of the government.

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

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Watertown'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 Watertown, Massachusetts  
149 Main Street  
Watertown, Massachusetts 02472

TOWN OF WATERTOWN, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 39,688,507	\$ 12,519,745	\$ 52,208,252
Investments	4,289,154	-	4,289,154
Receivables, net of allowance for uncollectibles:			
Property taxes	1,062,310	-	1,062,310
Excises	260,458	-	260,458
User fees	-	3,697,097	3,697,097
Intergovernmental	913,208	-	913,208
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	292,952	-	292,952
Intergovernmental	2,739,624	-	2,739,624
Capital assets:			
Land and construction in progress	8,718,534	-	8,718,534
Other capital assets, net of accumulated depreciation	92,936,089	9,941,145	102,877,234
<b>TOTAL ASSETS</b>	<b>150,900,836</b>	<b>26,157,987</b>	<b>177,058,823</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	2,240,008	-	2,240,008
Accounts payable	26,065	-	26,065
Accrued liabilities	1,296,487	-	1,296,487
Tax refunds payable	1,421,935	50,353	1,472,288
Other current liabilities	359,797	-	359,797
Current portion of long-term liabilities:			
Bonds payable	4,892,000	581,020	5,473,020
Compensated absences	121,274	-	121,274
Noncurrent:			
Bonds payable, net of current portion	34,724,000	3,399,980	38,123,980
Compensated absences, net of current portion	2,304,214	-	2,304,214
Accrued other post-employment benefits	28,076,829	616,051	28,692,880
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>664,533</b>	<b>-</b>	<b>664,533</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>76,127,142</b>	<b>4,647,404</b>	<b>80,774,546</b>
<b>NET POSITION</b>			
Net investment in capital assets	70,452,702	8,347,300	78,800,002
Restricted for:			
Grants and other statutory restrictions	4,888,728	-	4,888,728
Permanent funds:			
Nonexpendable	1,004,186	-	1,004,186
Expendable	352,571	-	352,571
Unrestricted	(1,924,493)	13,163,283	11,238,790
<b>TOTAL NET POSITION</b>	<b>\$ 74,773,694</b>	<b>\$ 21,510,583</b>	<b>\$ 96,284,277</b>

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

TOWN OF WATERTOWN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General government	\$ 5,380,193	\$ -	\$ (4,307,721)	\$ (4,307,721)
Public safety	18,297,239	-	(15,023,051)	(15,023,051)
Education	46,211,653	-	(29,909,381)	(29,909,381)
Public works	10,807,873	888,206	(9,696,800)	(9,696,800)
Health and human services	1,167,047	-	(753,058)	(753,058)
Culture and recreation	4,360,911	-	(3,312,982)	(3,312,982)
Employee benefits	33,028,782	-	(33,028,782)	(33,028,782)
Intergovernmental	2,342,318	-	(2,342,318)	(2,342,318)
Interest	1,287,252	-	(1,287,252)	(1,287,252)
Miscellaneous	176,788	-	(176,788)	(176,788)
Total Governmental Activities	123,060,056	888,206	(99,838,133)	(99,838,133)
<b>Business-Type Activities:</b>				
Water services	4,366,348	-	-	2,184,291
Sewer services	7,143,359	-	-	1,929,086
Total Business-Type Activities	11,509,707	-	-	4,113,377
Total	\$ 134,569,763	\$ 888,206	(99,838,133)	(95,724,756)
<b>General Revenues and Transfers:</b>				
Property taxes			81,653,823	81,653,823
Excises			3,746,982	3,746,982
Penalties, interest and other taxes			1,671,188	1,671,188
Grants and contributions not restricted to specific programs			9,718,140	9,718,140
Investment income			104,712	115,621
Miscellaneous			2,639,435	2,799,865
Transfers, net			2,662,881	-
Total general revenues and transfers			102,197,161	99,705,619
Change in Net Position			2,359,028	3,980,863
<b>Net Position:</b>				
Beginning of year, as restated			72,414,666	92,303,414
End of year			\$ 74,773,694	\$ 96,284,277

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

TOWN OF WATERTOWN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 26,289,628	\$ 13,398,879	\$ 39,688,507
Investments	2,925,215	1,363,939	4,289,154
Receivables:			
Property taxes	1,513,979	-	1,513,979
Excises	422,136	-	422,136
Departmental	56,145	-	56,145
<b>TOTAL ASSETS</b>	<b>\$ 31,207,103</b>	<b>\$ 14,762,818</b>	<b>\$ 45,969,921</b>
<b>LIABILITIES</b>			
Warrants payable	\$ 2,240,009	\$ -	\$ 2,240,009
Accounts payable	26,065	-	26,065
Accrued liabilities	939,990	-	939,990
Tax refunds payable	1,421,935	-	1,421,935
Other liabilities	359,797	-	359,797
<b>TOTAL LIABILITIES</b>	<b>4,987,796</b>	<b>-</b>	<b>4,987,796</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,992,259</b>	<b>-</b>	<b>1,992,259</b>
<b>FUND BALANCES</b>			
Nonspendable	-	1,004,186	1,004,186
Restricted	-	10,850,974	10,850,974
Committed	7,371,409	3,421,813	10,793,222
Assigned	4,478,273	-	4,478,273
Unassigned	12,377,366	(514,155)	11,863,211
<b>TOTAL FUND BALANCES</b>	<b>24,227,048</b>	<b>14,762,818</b>	<b>38,989,866</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 31,207,103</b>	<b>\$ 14,762,818</b>	<b>\$ 45,969,921</b>

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

TOWN OF WATERTOWN, MASSACHUSETTS

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

JUNE 30, 2014

<b>Total governmental fund balances</b>	\$ 38,989,866
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	101,654,623
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,615,720
• Noncurrent assets, including MSBA reimbursements for contracted assistance projects, are not receivable in the current period and, therefore, are not reported in the governmental funds.	3,652,832
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(356,497)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(70,782,850)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 74,773,694</u></u>

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

TOWN OF WATERTOWN, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 81,586,488	\$ -	\$ 81,586,488
Excise taxes	3,925,561	-	3,925,561
Penalties, interest and other taxes	1,671,188	-	1,671,188
Charges for services	2,791,276	3,059,193	5,850,469
Intergovernmental	20,720,604	5,596,367	26,316,971
Licenses and permits	222,525	-	222,525
Departmental	-	469,529	469,529
Fines and forfeitures	708,329	-	708,329
Investment income	95,099	9,613	104,712
Contributions	-	285,448	285,448
Miscellaneous	1,128,279	1,511,157	2,639,436
<b>Total Revenues</b>	<u>112,849,349</u>	<u>10,931,307</u>	<u>123,780,656</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	4,169,577	5,213,429	9,383,006
Public safety	15,149,442	1,565,283	16,714,725
Education	36,560,928	6,335,886	42,896,814
Public works	8,707,674	2,954,872	11,662,546
Health and human services	898,336	168,450	1,066,786
Culture and recreation	2,921,141	1,414,401	4,335,542
Pension	20,096,813	-	20,096,813
Employee benefits	12,931,969	-	12,931,969
Miscellaneous	176,788	-	176,788
Debt service	5,768,669	-	5,768,669
Intergovernmental	2,342,318	-	2,342,318
<b>Total Expenditures</b>	<u>109,723,655</u>	<u>17,652,321</u>	<u>127,375,976</u>
Excess (deficiency) of revenues over expenditures	3,125,694	(6,721,014)	(3,595,320)
<b>Other Financing Sources (Uses):</b>			
Bond issuance	-	10,922,000	10,922,000
Transfers in	3,060,992	3,820,233	6,881,225
Transfers out	(3,026,041)	(1,192,303)	(4,218,344)
<b>Total Other Financing Sources (Uses)</b>	<u>34,951</u>	<u>13,549,930</u>	<u>13,584,881</u>
Change in fund balance	3,160,645	6,828,916	9,989,561
Fund Equity, at Beginning of Year, as restated	21,066,403	7,933,902	29,000,305
Fund Equity, at End of Year	<u>\$ 24,227,048</u>	<u>\$ 14,762,818</u>	<u>\$ 38,989,866</u>

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

TOWN OF WATERTOWN, 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

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 9,989,561</b>																				
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">8,368,192</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(6,430,595)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(111,244)</td> </tr> </table> </li> <li>• Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(913,208)</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="margin-left: 40px;"> <tr> <td>Repayments of debt, net of refunding</td> <td style="text-align: right;">4,474,000</td> </tr> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(10,922,000)</td> </tr> <tr> <td>Deferred charges on refunding amortization</td> <td style="text-align: right;">47,467</td> </tr> </table> </li> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(40,050)</td> </tr> </table> </li> <li>• 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. <table style="margin-left: 40px;"> <tr> <td>Compensated absences</td> <td style="text-align: right;">(115,499)</td> </tr> <tr> <td>OPEB liability</td> <td style="text-align: right;"><u>(1,987,596)</u></td> </tr> </table> </li> </ul>	Capital outlay purchases	8,368,192	Depreciation	(6,430,595)		(111,244)		(913,208)	Repayments of debt, net of refunding	4,474,000	Issuance of debt	(10,922,000)	Deferred charges on refunding amortization	47,467		(40,050)	Compensated absences	(115,499)	OPEB liability	<u>(1,987,596)</u>	
Capital outlay purchases	8,368,192																				
Depreciation	(6,430,595)																				
	(111,244)																				
	(913,208)																				
Repayments of debt, net of refunding	4,474,000																				
Issuance of debt	(10,922,000)																				
Deferred charges on refunding amortization	47,467																				
	(40,050)																				
Compensated absences	(115,499)																				
OPEB liability	<u>(1,987,596)</u>																				
<b>Change in net position of governmental activities</b>	<b>\$ <u>2,359,028</u></b>																				

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

TOWN OF WATERTOWN, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original Budget	Final Budget	Amounts	Final Budget Positive (Negative)
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 80,550,741	\$ 81,642,981	\$ 81,642,981	\$ -
Excise taxes	3,255,000	3,255,000	3,925,561	670,561
Interest, penalties, and other taxes	2,905,960	1,602,374	1,671,188	68,814
Charges for services	2,477,676	2,477,676	2,814,387	336,711
Intergovernmental	10,474,554	10,834,771	11,242,917	408,146
Licenses and permits	205,000	205,000	222,525	17,525
Fines and forfeitures	885,000	885,000	708,329	(176,671)
Interest earnings	65,000	65,000	72,486	7,486
Miscellaneous	477,473	477,473	887,165	409,692
Transfers in	4,261,096	4,261,096	4,261,096	-
Other sources	1,500,000	2,500,000	2,500,000	-
<b>Total Revenues and Other Sources</b>	<b>107,057,500</b>	<b>108,206,371</b>	<b>109,948,635</b>	<b>1,742,264</b>
<b>Expenditures and Other Uses:</b>				
General government	6,725,719	4,387,142	4,229,140	158,002
Public safety	15,238,680	15,364,548	15,262,251	102,297
Education	36,675,000	36,675,000	36,674,928	72
Public works	9,060,207	9,010,364	8,839,451	170,913
Health and human services	997,889	916,105	891,512	24,593
Culture and recreation	2,986,457	2,951,684	2,903,407	48,277
Employee benefits	24,564,606	24,550,606	23,787,334	763,272
Debt service	7,010,989	7,010,989	6,498,669	512,320
Intergovernmental	2,253,507	2,253,730	2,342,318	(88,588)
Miscellaneous	127,300	337,300	306,544	30,756
Transfers out	1,417,146	4,748,903	4,748,903	-
<b>Total Expenditures and Other Uses</b>	<b>107,057,500</b>	<b>108,206,371</b>	<b>106,484,457</b>	<b>1,721,914</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,464,178</b>	<b>\$ 3,464,178</b>

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

TOWN OF WATERTOWN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 4,645,005	\$ 7,874,740	\$ 12,519,745
User fees, net of allowance for uncollectibles	<u>1,433,786</u>	<u>2,263,311</u>	<u>3,697,097</u>
Total current assets	6,078,791	10,138,051	16,216,842
Noncurrent:			
Capital assets:			
Other capital assets, net of accumulated depreciation	<u>4,003,814</u>	<u>5,937,331</u>	<u>9,941,145</u>
Total noncurrent assets	<u>4,003,814</u>	<u>5,937,331</u>	<u>9,941,145</u>
<b>TOTAL ASSETS</b>	10,082,605	16,075,382	26,157,987
<b>LIABILITIES</b>			
Current:			
Refunds payable	50,353	-	50,353
Current portion of long-term liabilities:			
Bonds payable	<u>323,636</u>	<u>257,384</u>	<u>581,020</u>
Total current liabilities	373,989	257,384	631,373
Noncurrent:			
Bonds payable	2,743,180	656,800	3,399,980
Accrued other post-employment benefits	<u>426,023</u>	<u>190,028</u>	<u>616,051</u>
Total noncurrent liabilities	<u>3,169,203</u>	<u>846,828</u>	<u>4,016,031</u>
<b>TOTAL LIABILITIES</b>	3,543,192	1,104,212	4,647,404
<b>NET POSITION</b>			
Net investment in capital assets	1,940,275	6,407,025	8,347,300
Unrestricted	<u>4,599,138</u>	<u>8,564,145</u>	<u>13,163,283</u>
<b>TOTAL NET POSITION</b>	<u>\$ 6,539,413</u>	<u>\$ 14,971,170</u>	<u>\$ 21,510,583</u>

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

TOWN OF WATERTOWN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 6,550,639	\$ 9,072,445	\$ 15,623,084
Other	<u>10,430</u>	<u>-</u>	<u>10,430</u>
Total Operating Revenues	6,561,069	9,072,445	15,633,514
<b>Operating Expenses:</b>			
Personnel expenses	818,477	352,593	1,171,070
Non-personnel	396,207	772,905	1,169,112
Intergovernmental assessments	2,945,405	5,654,172	8,599,577
Depreciation	<u>174,196</u>	<u>331,625</u>	<u>505,821</u>
Total Operating Expenses	<u>4,334,285</u>	<u>7,111,295</u>	<u>11,445,580</u>
Operating Income	2,226,784	1,961,150	4,187,934
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	3,681	7,228	10,909
Other revenue	75,000	75,000	150,000
Interest expense	<u>(32,063)</u>	<u>(32,064)</u>	<u>(64,127)</u>
Total Nonoperating Revenues (Expenses), Net	<u>46,618</u>	<u>50,164</u>	<u>96,782</u>
Income Before Transfers	2,273,402	2,011,314	4,284,716
<b>Transfers:</b>			
Transfers out	<u>(1,430,435)</u>	<u>(1,232,446)</u>	<u>(2,662,881)</u>
Change in Net Position	842,967	778,868	1,621,835
Net Position at Beginning of Year	<u>5,696,446</u>	<u>14,192,302</u>	<u>19,888,748</u>
Net Position at End of Year	<u>\$ 6,539,413</u>	<u>\$ 14,971,170</u>	<u>\$ 21,510,583</u>

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

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

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 6,448,739	\$ 8,969,949	\$ 15,418,688
Payments to vendors and employees	(1,169,134)	(1,113,144)	(2,282,278)
Payments to other governments	<u>(2,945,405)</u>	<u>(5,654,172)</u>	<u>(8,599,577)</u>
Net Cash Provided By Operating Activities	2,334,200	2,202,633	4,536,833
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Transfers out	<u>(1,430,435)</u>	<u>(1,232,446)</u>	<u>(2,662,881)</u>
Net Cash (Used For) Noncapital Financing Activities	(1,430,435)	(1,232,446)	(2,662,881)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition and construction of capital assets, net of disposals	(1,238,808)	(2,566,956)	(3,805,764)
Interest expense	(32,063)	(32,064)	(64,127)
Principal payments on bonds and notes	<u>(398,636)</u>	<u>(195,384)</u>	<u>(594,020)</u>
Net Cash (Used for) Capital and Related Financing Activities	(1,669,507)	(2,794,404)	(4,463,911)
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	<u>3,681</u>	<u>7,228</u>	<u>10,909</u>
Net Cash Provided By Investing Activities	3,681	7,228	10,909
Net Change in Cash and Short-Term Investments	(762,061)	(1,816,989)	(2,579,050)
Cash and Short-Term Investments, Beginning of Year	<u>5,407,066</u>	<u>9,691,729</u>	<u>15,098,795</u>
Cash and Short-Term Investments, End of Year	<u>\$ 4,645,005</u>	<u>\$ 7,874,740</u>	<u>\$ 12,519,745</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>			
Operating income	\$ 2,226,784	\$ 1,961,150	\$ 4,187,934
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	174,196	331,625	505,821
Changes in assets and liabilities:			
User fees	(112,331)	(102,495)	(214,826)
Other liabilities	<u>45,551</u>	<u>12,353</u>	<u>57,904</u>
Net Cash Provided By Operating Activities	<u>\$ 2,334,200</u>	<u>\$ 2,202,633</u>	<u>\$ 4,536,833</u>

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

TOWN OF WATERTOWN, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Pension Trust Fund (As of December 31, 2013)	Private Purpose Trust Funds	Agency Funds
<b><u>ASSETS</u></b>			
Cash and short-term investments	\$ 1,420,448	\$ 350,508	\$ (141,977)
Investments	121,971,147	21,508	-
Accounts receivable	<u>335,620</u>	<u>-</u>	<u>235,538</u>
Total Assets	123,727,215	372,016	93,561
<b><u>LIABILITIES</u></b>			
Accrued liabilities	-	-	22,185
Other liabilities	53,530	-	(164,162)
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>235,538</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>53,530</u>	<u>-</u>	<u>93,561</u>
<b><u>NET POSITION</u></b>			
Total net position held in trust for pension benefits and other purposes	<u>\$ 123,673,685</u>	<u>\$ 372,016</u>	<u>\$ -</u>

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

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

	Pension Trust Fund (For the Year Ended <u>December 31, 2013</u> )	Private Purpose Trust Funds
<b>Additions:</b>		
Contributions:		
Employers	\$ 10,873,496	\$ -
Other systems and Commonwealth of Massachusetts	516,029	-
Plan members	2,770,416	-
Other	<u>22,771</u>	<u>13,335</u>
Total contributions	14,182,712	13,335
Investment Income:		
Change in fair value of investments	17,399,557	1,595
Less: management fees	<u>(801,119)</u>	<u>-</u>
Net investment income	<u>16,598,438</u>	<u>1,595</u>
Total additions	30,781,150	14,930
<b>Deductions:</b>		
Benefit payments to plan members and beneficiaries	11,439,758	-
Refunds to plan members	76,144	-
Administrative expenses	343,657	-
Other	<u>445,304</u>	<u>18,000</u>
Total deductions	<u>12,304,863</u>	<u>18,000</u>
Net increase	18,476,287	(3,070)
<b>Net position:</b>		
Beginning of year	<u>105,197,398</u>	<u>375,086</u>
End of year	<u>\$ 123,673,685</u>	<u>\$ 372,016</u>

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

# TOWN OF WATERTOWN, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The Town is a municipal corporation governed by an elected Town Council. 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.

Blended Component Units - Blended component units are entities that are legally separate, but are so related that they are, in substance, the same as the primary government, providing services entirely or almost entirely for the benefit of the primary government. The Watertown Contributory Retirement System which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 149 Main Street, Watertown, Massachusetts 02472.

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

##### Government-wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### Fund Financial Statements

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

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

#### Government-wide Financial Statements

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

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

#### Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

- The *water fund* is used to report the Town's water enterprise fund operations.
- The *sewer fund* is used to report the Town's sewer enterprise fund operations.

The *pension trust fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

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.

#### 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 Contributory Retirement System and Trust Funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at market value.

*F. Property Tax Limitations*

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2014 tax levy reflected an excess capacity of \$36,956.

*G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$15,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	20 - 50
Vehicles	5
Office equipment	5
Computer equipment	5

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Equity

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

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

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

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

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

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

#### K. Use of Estimates

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

## 2. Stewardship, Compliance, and Accountability

### A. Budgetary Information

During the fiscal year, the Town Manager submits to the Town Council an operating budget for the proposed expenditures for the fiscal year commencing the following July 1st. The budget, as enacted by the Town Council, also establishes that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year as required by changing conditions. Formal budgetary integration is employed as a management control device during the year for the General Fund. Although formal budgetary integration is not employed for Special Revenue Funds, effective budgetary control is alternatively achieved through provisions of the Massachusetts General Laws and the Town's Code of Ordinances.

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 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)	\$ 112,849,349	\$ 109,723,655
Other financing sources/uses (GAAP basis)	<u>3,060,992</u>	<u>3,026,041</u>
Subtotal (GAAP Basis)	115,910,341	112,749,696
Adjust tax revenue to accrual basis	56,493	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,332,686)
Add end-of-year appropriation carryforwards from expenditures	-	1,978,272
To record use of free cash	2,500,000	-
To reverse the effect of non- budgeted State contributions for teachers retirement	(9,477,687)	(9,477,687)
To remove unbudgeted stabilization fund	<u>959,488</u>	<u>2,566,862</u>
Budgetary basis	<u>\$ 109,948,635</u>	<u>\$ 106,484,457</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2014:

Special revenue funds:	
LEP Title III	\$ (6,516)
Perkins (OC ED)	(518)
SPED 94-142	(62,034)
SPED Professional Development	(5,846)
Teacher Quality Title II	(9,690)
Title I	(92,834)
PEP Grant	(19,766)
Kindergarten	(1,943)
Community Partnerships	(2,909)
Academic support	(159)
Universal Pre-K	(14,206)
FY 14 Support and Incentive Grant	(81,149)
Capital project funds:	
Ch90 Orch St & Main St	(11,661)
Ch90 Waverly/Carroll	(70,124)
CH90 Mt Auburn Phase 1 Design	<u>(134,800)</u>
	<u>\$ (514,155)</u>

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

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

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's and Contributory Retirement System's (the System) 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."

Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The Town and System do not have a deposit policy for custodial credit risk.

As of June 30, 2014 and December 31, 2013, \$33,147,808 and \$1,090,130 of the Town's and System's bank balances of \$54,906,385 and \$1,595,676, respectively, were exposed to custodial credit risk as uninsured or uncollateralized.

### 4. **Investments**

#### A. Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u> <u>Aaa</u>
U.S. Treasury notes	\$ 128	N/A	\$ -	\$ 128
Certificates of deposits	2,925		-	2,925
Corporate equities	35	N/A	35	-
Mutual funds	560	N/A	560	-
Federal agency securities	<u>663</u>		<u>-</u>	<u>663</u>
Total investments	<u>\$ 4,311</u>		<u>\$ 595</u>	<u>\$ 3,716</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets is invested in any one security.

Presented below is the actual rating as of year-end of the System (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
Corporate equities	\$ 12,392	N/A	\$ 12,392
Pooled domestic equities	21,566	N/A	21,566
Pooled international equities	20,492		20,492
Pooled global equity funds	20,186		20,186
Pooled domestic fixed income	21,394	N/A	21,394
Pooled global fixed income	2,964		2,964
Pooled alternative	3,700		3,700
Pooled real estate	9,436	N/A	9,436
PRIT* Absolute	<u>9,841</u>		<u>9,841</u>
Total investments	<u>\$ 121,971</u>		<u>\$ 121,971</u>

#### B. Custodial Credit Risk

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

All of the Town's investments of \$4,310,662 are exposed to custodial credit risk exposure because the related securities are uninsured, unregistered and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC, excess SIPC, and by maintaining investments in the Town's name.

All of the System's investments of \$121,971,147 are exposed to custodial credit risk because the related securities are uninsured, unregistered and/or held by the System's brokerage firm, which is also the Counterparty to the securities. The System manages this risk with investing in PRIT, having Securities Investor Protection Corporation (SIPC), excess SIPC coverage and because the assets are held in separately identifiable trust accounts.

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:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Century Bank - CD	\$ 714	24%
Century Bank - CD	1,226	41%
Century Bank- CD	985	33%
Total	<u>\$ 2,925</u>	

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund. The System does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>N/A</u>
U.S. Treasury notes	\$ 128	\$ 128	\$ -	\$ -
Certificates of deposits	2,925	-	2,925	-
Corporate equities	35	-	-	35
Mutual funds	560	-	-	560
Federal agency securities	663	75	588	-
<b>Total</b>	<b>\$ 4,311</b>	<b>\$ 203</b>	<b>\$ 3,513</b>	<b>\$ 595</b>

*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 and System do not have policies for foreign currency risk.

**5. Taxes Receivable**

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

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

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

<u>Property Taxes:</u>		
Real Estate		
2014	\$ 955	
2013	(77)	
2012	(2)	
2011	(2)	
Prior	<u>(3)</u>	871
Personal Property		
2014	63	
2013	21	
2012	20	
2011	17	
2010	13	
2009	5	
2008	<u>2</u>	141
Tax Liens		326
Deferred Taxes		<u>176</u>
Total Property Taxes		\$ <u>1,514</u>
<u>Excise Taxes:</u>		
Motor Vehicle Excise		
2014	\$ 229	
2013	53	
2012	29	
2011	24	
2010	25	
2009	27	
2008	<u>29</u>	416
Boat Excise		<u>6</u>
Total Excise Taxes		\$ <u>422</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	\$ 159	\$ -
Excises	\$ 162	\$ -
Utilities	\$ -	\$ 143
Other	\$ 56	\$ -

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014, as well as funding to be provided by the Massachusetts School Building Authority for reimbursement of approved school capital project expenditures. Future receipt of MSBA payments is as follows:

2015	\$	913,208
2016		913,208
2017		913,208
2018		<u>913,208</u>
Total	\$	<u><u>3,652,832</u></u>

## 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>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 108,907	\$ 4,430	\$ -	\$ 113,337
Machinery, equipment, and furnishings	5,611	182	-	5,793
Infrastructure	54,147	2,835	-	56,982
Vehicles	<u>8,333</u>	<u>205</u>	<u>(299)</u>	<u>8,239</u>
Total capital assets, being depreciated	176,998	7,652	(299)	184,351
Less accumulated depreciation for:				
Buildings and improvements	(45,645)	(3,855)	-	(49,500)
Machinery, equipment, and furnishings	(3,149)	(723)	-	(3,872)
Infrastructure	(30,581)	(1,333)	-	(31,914)
Vehicles	<u>(5,907)</u>	<u>(521)</u>	<u>299</u>	<u>(6,129)</u>
Total accumulated depreciation	<u>(85,282)</u>	<u>(6,432)</u>	<u>299</u>	<u>(91,415)</u>
Total capital assets, being depreciated, net	91,716	1,220	-	92,936
Capital assets, not being depreciated:				
Land	7,979	-	-	7,979
Construction in progress	<u>23</u>	<u>717</u>	<u>-</u>	<u>740</u>
Total capital assets, not being depreciated	<u>8,002</u>	<u>717</u>	<u>-</u>	<u>8,719</u>
Governmental activities capital assets, net	\$ <u><u>99,718</u></u>	\$ <u><u>1,937</u></u>	\$ <u><u>-</u></u>	\$ <u><u>101,655</u></u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Machinery, equipment, and furnishings	\$ 1,984	\$ 730	\$ -	\$ 2,714
Infrastructure	14,923	3,077	-	18,000
Vehicles	1,111	-	-	1,111
Total capital assets, being depreciated	18,018	3,807	-	21,825
Less accumulated depreciation for:				
Machinery, equipment, and furnishings	(1,505)	(172)	-	(1,677)
Infrastructure	(9,229)	(228)	-	(9,457)
Vehicles	(643)	(107)	-	(750)
Total accumulated depreciation	(11,377)	(507)	-	(11,884)
Total capital assets, being depreciated, net	6,641	3,300	-	9,941
Capital assets, not being depreciated:				
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	-	-	-	-
Business-type activities capital assets, net	<u>\$ 6,641</u>	<u>\$ 3,300</u>	<u>\$ -</u>	<u>\$ 9,941</u>

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

<b>Governmental Activities:</b>		
General government		\$ 274
Public safety		1,083
Education		2,261
Public works		1,981
Health and human services		98
Culture and recreation		735
Total depreciation expense - governmental activities		<u>\$ 6,432</u>
<b>Business-Type Activities:</b>		
Water		\$ 175
Sewer		332
Total depreciation expense - business-type activities		<u>\$ 507</u>

## 9. Warrants and Accounts Payable

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

10. **Accrued Liabilities**

This balance consists primarily of salaries earned but unpaid at June 30, 2014, accrued interest on bonds, and other accrued liabilities.

11. **Tax Refunds Payable**

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

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:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/14
<b><u>Governmental Activities:</u></b>			
General obligation bonds	8/15/2017	2.40%	\$ 4,830,000
General obligation bonds	8/15/2014	2.40%	111,000
General obligation bonds	8/15/2015	2.40%	245,000
General obligation bonds	11/1/2024	3.98%	750,000
General obligation bonds	11/1/2018	3.98%	50,000
General obligation bonds	11/1/2020	3.80%	695,000
General obligation bonds	11/01/15	3.69%	165,000
General obligation bonds	07/15/28	4.00%	7,500,000
General obligation bonds	02/15/30	3.31%	3,360,000
General obligation bonds	02/15/25	3.31%	450,000
General obligation bonds	02/15/24	3.31%	250,000
General obligation bonds	06/15/27	1.80%	2,795,000
General obligation bonds	04/15/33	3.00%	5,560,000
General obligation bonds	11/01/28	2.00%	12,855,000
Total Governmental Activities:			<u>\$ 39,616,000</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>
Sewer			
Sewer bond (MWRA)	5/15/15	0.00%	\$ 60,984
Sewer bond (MWRA)	5/15/17	0.00%	178,200
General obligation bond	11/1/28	2.00%	<u>675,000</u>
Total Sewer:			<u>914,184</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>
Water			
Water bond (MWRA)	5/15/20	0.00%	1,041,816
Water bond (MWRA)	5/15/23	0.00%	1,350,000
General obligation bond	11/1/28	2.00%	<u>675,000</u>
Total Water:			<u>3,066,816</u>
Total Business-Type Activities:			<u>\$ 3,981,000</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	\$ 4,892,000	\$ 1,602,667	\$ 6,494,667
2016	4,632,000	1,153,434	5,785,434
2017	4,213,000	1,040,183	5,253,183
2018	4,029,000	925,471	4,954,471
2019	2,335,000	817,376	3,152,376
2020 - 2024	10,810,000	2,690,557	13,500,557
2025 - 2029	7,050,000	929,253	7,979,253
2030 - 2034	<u>1,655,000</u>	<u>131,342</u>	<u>1,786,342</u>
Total	<u>\$ 39,616,000</u>	<u>\$ 9,290,283</u>	<u>\$ 48,906,283</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 581,020	\$ 49,218	\$ 630,238
2016	516,036	47,230	563,266
2017	518,036	44,550	562,586
2018	458,636	41,175	499,811
2019	458,636	36,450	495,086
2020 - 2024	<u>1,448,636</u>	<u>84,375</u>	<u>1,533,011</u>
Total	<u>\$ 3,981,000</u>	<u>\$ 302,998</u>	<u>\$ 4,283,998</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance 7/1/13	Additions	Reductions	Total Balance 6/30/14	Less Current Portion	Equals Long-Term Portion 6/30/14
<u>Governmental Activities</u>						
Bonds payable	\$ 33,880	\$ 10,922	\$ (5,186)	\$ 39,616	\$ (4,892)	\$ 34,724
Other:						
Compensated absences	2,310	115	-	2,425	(121)	2,304
Accrued other post-employment benefits	<u>26,090</u>	<u>1,987</u>	<u>-</u>	<u>28,077</u>	<u>-</u>	<u>28,077</u>
Totals	<u>\$ 62,280</u>	<u>\$ 13,024</u>	<u>\$ (5,186)</u>	<u>\$ 70,118</u>	<u>\$ (5,013)</u>	<u>\$ 65,105</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 4,725	\$ 1,350	\$ (2,094)	\$ 3,981	\$ (581)	\$ 3,400
Other:						
Accrued other post-employment benefits	<u>577</u>	<u>39</u>	<u>-</u>	<u>616</u>	<u>-</u>	<u>616</u>
Totals	<u>\$ 5,302</u>	<u>\$ 1,389</u>	<u>\$ (2,094)</u>	<u>\$ 4,597</u>	<u>\$ (581)</u>	<u>\$ 4,016</u>

D. Advance and Current Refundings

Current Year

On May 6, 2014, the Town issued general obligation new money and refunding bonds in the amount of \$14,205,000 with various interest rates ranging from 2.00% to 5.00 %, to current and advance refund \$10,145,000 of bonds with a weighted average interest rate of 1.786%. The refunding bonds final maturity date is November 1, 2024 and are callable on June 15, 2014 and November 1, 2014. The general obligation refunding bonds were issued at 1.799% and, after paying issuance costs of \$66,689, the net proceeds were \$10,327,650. The net proceeds from the issuance of the general obligation bonds were used to purchase State and Local Series (SLGS) securities and those securities were deposited in an irrevocable

trust with an escrow agent to provide debt service payments until the bonds are called on November 1, 2014. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the Town's financial statements.

As a result of the current and advance refunding, the Town reduced its total debt service cash flow requirements by \$1,214,868, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,088,652.

Defeased debt still outstanding at June 30, 2014 is \$7,690,000.

### 13. Deferred Inflows of Resources

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

The following is a summary of deferred inflow of resources balances as of June 30, 2014:

	<u>Entity-wide Basis</u>	<u>Fund Basis</u>
	Governmental Activities	General Fund
Unearned revenue	\$ -	\$ 1,992,259
Deferred charges on refunding	<u>664,533</u>	<u>-</u>
	<u>\$ 664,533</u>	<u>\$ 1,992,259</u>

### 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 and stabilization funds.

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

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

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>			
Nonexpendable permanent funds	\$ -	\$ 1,004,186	\$ 1,004,186
Total Nonspendable	-	1,004,186	1,004,186
<b>Restricted</b>			
Bonded projects	-	5,208,851	5,208,851
Special revenue funds	-	5,186,298	5,186,298
Expendable permanent funds	-	455,825	455,825
Total Restricted	-	10,850,974	10,850,974
<b>Committed</b>			
NESWC/capital project stabilization	2,007,716	-	2,007,716
OPEB stabilization	1,081,687	-	1,081,687
Unfunded pension stabilization	1,258,805	-	1,258,805
ESCO capital project stabilization	534,281	-	534,281
Collective bargaining stabilization	1,698,920	-	1,698,920
Sped stabilization	790,000	-	790,000
Capital project funds	-	3,421,813	3,421,813
Total Committed	7,371,409	3,421,813	10,793,222
<b>Assigned</b>			
Encumbrances	1,978,273	-	1,978,273
Reserved for expenditures	2,500,000	-	2,500,000
Total Assigned	4,478,273	-	4,478,273
<b>Unassigned</b>			
Special revenue funds	-	(297,570)	(297,570)
Capital project funds	-	(216,585)	(216,585)
General stabilization fund	1,226,295	-	1,226,295
General fund	11,151,071	-	11,151,071
Total Unassigned	12,377,366	(514,155)	11,863,211
Total Fund Balances	\$ 24,227,048	\$ 14,762,818	\$ 38,989,866

#### 16. General Fund Unassigned Fund Balance

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

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

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

GAAP basis balance	\$ 12,377,366
Tax refund estimate	1,421,935
Less general stabilization	<u>(1,226,295)</u>
Statutory (UMAS) Balance	<u>\$ 12,573,006</u>

**17. Commitments and Contingencies**

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

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

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

**Other Post-Employment Benefits**

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

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2013 the actuarial valuation

date, approximately 501 retirees and 869 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 20% for HMO and PPO Plans, 40% for indemnity plans and 10% for Teachers retired before July 1, 2009, respectively, 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 June 30, 2013.

Annual Required Contribution (ARC)	\$ 6,657,510
Interest on net OPEB obligation	933,335
Adjustment to ARC	<u>(828,175)</u>
Annual OPEB cost	6,762,670
Contributions made	<u>(4,736,498)</u>
Increase in net OPEB obligation	2,026,172
Net OPEB obligation - beginning of year	<u>26,666,708</u>
Net OPEB obligation - end of year	<u>\$ 28,692,880</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 6,762,670	70%	\$ 28,692,880
2013	\$ 11,107,551	40%	\$ 28,692,880
2012	\$ 10,391,426	39%	\$ 20,050,010

*E. Funded Status and Funding Progress*

The funded status of the plan as of June 20, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 163,903,670
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ <u>163,903,670</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	\$ <u>48,034,463</u>
UAAL as a percentage of covered payroll	<u>341.2%</u>

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

The Town has established an OPEB stabilization fund that reflects a balance of \$1,081,687 at June 30, 2014.

*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 June 30, 2013 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 3.5% investment rate of return and an initial annual healthcare cost trend rate of 8%, which decreases to a 5% long-term rate for all healthcare benefits after 6 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 4%.

**19. Contributory Retirement System**

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

*A. Plan Description and Contribution Information*

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Watertown Contributory Retirement System (WCRS), a cost sharing, multiple-employer defined benefit PERS. Eligible employees must participate in the WCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the WCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The WCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at December 31, 2013:

Retirees and beneficiaries receiving benefits	401
Terminated plan members entitled to but not yet receiving benefits	121
Active plan members	<u>518</u>
Total	<u><u>1,040</u></u>
Number of participating employers	2

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$30,000 per year. The percentages are as follows:

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

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The Town's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2000	\$ 4,586,000	100%
2001	\$ 4,244,346	100%
2002	\$ 4,586,000	100%
2003	\$ 5,296,038	100%
2004	\$ 5,422,000	100%
2005	\$ 5,551,000	100%
2006	\$ 6,602,724	100%
2007	\$ 6,770,135	100%
2008	\$ 7,276,020	100%
2009	\$ 7,422,874	100%
2010	\$ 7,682,371	100%
2011	\$ 8,608,733	100%
2012	\$ 8,965,000	100%
2013	\$ 9,335,898	100%
2014	\$ 10,277,718	100%

B. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value in accordance with PERAC requirements.

C. Funded Status and Funding Progress

The information presented below is from the Watertown Contributory Retirement System's most recent valuation (in thousands).

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	\$ 104,733	\$ 165,338	\$ 60,605	63.3%	\$ 27,274	222.2%
01/01/12	\$ 101,677	\$ 172,290	\$ 70,613	59.0%	\$ 25,819	273.5%
01/01/11	\$ 100,744	\$ 159,248	\$ 58,505	63.3%	\$ 25,004	234.0%
01/01/10	\$ 89,433	\$ 155,963	\$ 66,530	57.3%	\$ 25,403	261.9%
01/01/09	\$ 78,515	\$ 144,634	\$ 66,119	54.3%	\$ 25,266	261.7%
01/01/08	\$ 97,038	\$ 140,549	\$ 43,511	69.0%	\$ 24,655	176.5%

The Schedule of Funding Progress following the Notes to the Financial Statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$70.6 million was calculated. The actuarial assumptions included (a) 8% investment rate of return and (b) a projected salary increase of 4.5% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3%, on the first \$12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.00%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of December 31, 2012, the unfunded actuarially accrued liability is being amortized over 9 years using an open group method.

E. Teachers

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

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

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

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

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

In fiscal year 2014, the Commonwealth of Massachusetts contributed \$9,477,687 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## 20. Risk Management

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

## 21. Beginning Fund Balance Reclassification

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

	Fund Equity 6/30/13 (as previously reported)	Reclassification	Fund Equity 6/30/13 (as restated)
Streets, Sidewalks, Repair Fund	\$ (956,091)	\$ 956,091	\$ -
Victory Field Renovation Fund	(1,200,276)	1,200,276	-
Nonmajor funds	10,090,269	(2,156,367)	7,933,902
Total	\$ 7,933,902	\$ -	\$ 7,933,902

**22. Beginning Fund Balance Restatement**

The beginning (July 1, 2013) fund balance of the Town has been restated as follows:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 73,273,354
To adjust capital assets	<u>(858,688)</u>
As restated	<u>\$ 72,414,666</u>

**23. Implementation of New GASB Standards**

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

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

June 30, 2013  
(Unaudited)

**Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/13	\$ 104,733,204	\$ 165,337,832	\$ 60,604,628	63.3%	\$ 27,273,870	222.2%
01/01/12	\$ 101,677,187	\$ 172,290,316	\$ 70,613,129	59.0%	\$ 25,818,598	273.5%
01/01/11	\$ 100,743,868	\$ 159,248,369	\$ 58,504,501	63.3%	\$ 25,004,201	234.0%
01/01/10	\$ 89,432,797	\$ 155,963,135	\$ 66,530,338	57.3%	\$ 25,403,413	261.9%
01/01/09	\$ 78,514,694	\$ 144,633,508	\$ 66,118,814	54.3%	\$ 25,266,728	261.7%
01/01/08	\$ 97,038,107	\$ 140,549,411	\$ 43,511,304	69.0%	\$ 24,654,987	176.5%
01/01/06	\$ 77,395,170	\$ 130,484,841	\$ 53,089,671	59.3%	\$ 22,327,190	237.8%
01/01/04	\$ 72,563,856	\$ 120,699,469	\$ 48,135,613	60.1%	\$ 21,673,650	222.1%
01/01/02	\$ 70,633,407	\$ 111,494,385	\$ 40,860,978	63.4%	\$ 19,735,159	207.0%
01/01/01	\$ 66,804,435	\$ 100,876,281	\$ 34,071,846	66.2%	\$ 19,379,204	175.8%
01/01/00	\$ 67,485,797	\$ 93,900,795	\$ 26,414,998	71.9%	\$ 18,231,939	144.9%
01/01/99	\$ 56,172,432	\$ 90,052,933	\$ 33,880,501	62.4%	\$ 15,732,197	215.4%
01/01/98	\$ 54,266,762	\$ 76,162,713	\$ 21,895,951	71.3%	\$ 15,673,535	139.7%

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/13	\$ -	\$ 163,903,670	\$ 163,903,670	0.0%	\$ 48,034,463	341.2%
06/30/11	\$ -	\$ 154,097,543	\$ 154,097,543	0.0%	\$ 51,273,922	300.5%
06/30/09	\$ -	\$ 118,381,044	\$ 118,381,044	0.0%	\$ 42,074,967	281.4%

See Independent Auditors' Report.

TOWN OF WATERTOWN, MASSACHUSETTS  
 SCHEDULE OF REVENUES AND EXPENDITURES,  
 AND OTHER USES - BUDGET AND ACTUAL  
 WATER ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2014

	Original <u>Budget</u>	Revised <u>Budget</u>	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues:				
Current service charges	\$ 6,101,542	\$ 6,101,542	\$ 6,483,131	\$ 381,589
Interest income	10,000	10,000	3,681	(6,319)
Use of free cash	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Revenues	6,161,542	6,161,542	6,536,812	375,270
Expenditures:				
Personnel services	812,338	812,338	792,255	20,083
Supplies and materials	295,136	295,136	294,480	656
Charges and services	2,950,934	2,950,934	2,945,405	5,529
Capital outlay	242,000	242,000	206,906	35,094
Other	430,699	430,699	430,699	-
Transfers out	<u>1,430,435</u>	<u>1,430,435</u>	<u>1,430,435</u>	<u>-</u>
Total Expenditures and Other Uses	<u>6,161,542</u>	<u>6,161,542</u>	<u>6,100,180</u>	<u>61,362</u>
Excess of Revenues over Expenditures and Other Uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>436,632</u>	\$ <u>436,632</u>

See Independent Auditors' report.

TOWN OF WATERTOWN, MASSACHUSETTS  
 SCHEDULE OF REVENUES AND EXPENDITURES,  
 AND OTHER USES - BUDGET AND ACTUAL  
 SEWER ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2014

	Original <u>Budget</u>	Revised <u>Budget</u>	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues:				
Current service charges	\$ 8,775,643	\$ 8,775,643	\$ 9,044,763	\$ 269,120
Interest income	15,000	15,000	7,227	(7,773)
Use of free cash	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Revenues	8,840,643	8,840,643	9,101,990	261,347
Expenditures:				
Personnel services	357,974	367,486	340,240	27,246
Supplies and materials	378,478	378,478	373,983	4,495
Charges and services	5,681,398	5,681,398	5,654,172	27,226
Capital outlay	962,900	953,388	941,411	11,977
Other	227,447	227,447	227,447	-
Transfers out	<u>1,232,446</u>	<u>1,232,446</u>	<u>1,232,446</u>	<u>-</u>
Total Expenditures and Other Uses	<u>8,840,643</u>	<u>8,840,643</u>	<u>8,769,699</u>	<u>70,944</u>
Excess of Revenues over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,291</u>	<u>\$ 332,291</u>

See Independent Auditors' report.