

**TOWN OF WESTMINSTER, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2013

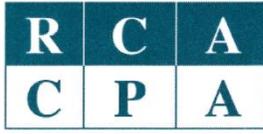
Report on Internal Control  
Over Financial Reporting and  
On Compliance and Other Matters  
Year Ended June 30, 2013

**TOWN OF WESTMINSTER, MASSACHUSETTS**

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## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen  
Town of Westminster, Massachusetts

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Westminster, Massachusetts, (the "Town") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund

and the aggregate remaining fund information of the Town as of June 30, 2013 and the respective changes in financial position where applicable and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As described in Note B, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources and Net Position*. Our opinion was not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the funding and contribution progress for pension benefits and other postemployment benefits, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over the financial reporting and compliance.



Roselli, Clark & Associates  
Certified Public Accountants  
December 27, 2013

## Management's Discussion and Analysis

As the management of the Town of Westminster, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information as listed in the table of contents.

### **Financial Highlights**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$60.5 million (*total net position*).
- The government's total net position decreased by approximately \$0.3 million or under 1% year to year. Governmental activities increased by approximately \$0.5 million and business-type activities increased by \$0.2 million. In both instances, operations were consistent with expectations.
- The Town's total long-term debt decreased by approximately \$0.8 million during the fiscal year due to regular scheduled pay downs of principal exceeding new issuances. Bond anticipation notes increased by \$0.4 million, as the Town continues to invest in its infrastructure.

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

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This 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 the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's 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 of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town include water and sewer enterprise funds.

**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. The Town, like other state and

local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, spendable fund balance amounts are reported in the following classifications:

- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

**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.

Reconciliations are provided in the basic financial statements to help the reader understand the differences.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes after the notes to the financial statements.

**Proprietary Funds** *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide separate information for enterprise funds of the water and sewer activities.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the

resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

**Government-wide Financial Analysis**

The condensed statement of net position is presented as follows:

	<b>Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
<b><u>Assets</u></b>						
Current and other assets	\$ 9,710,859	\$ 9,432,394	\$ 4,489,475	\$ 4,176,523	\$ 14,200,334	\$ 13,608,917
Capital assets, net	49,305,292	50,274,143	6,820,345	6,729,387	56,125,637	57,003,530
<b>Total assets</b>	<b>59,016,151</b>	<b>59,706,537</b>	<b>11,309,820</b>	<b>10,905,910</b>	<b>70,325,971</b>	<b>70,612,447</b>
<b><u>Liabilities</u></b>						
Long-term liabilities	4,922,421	4,805,251	2,674,598	2,569,554	7,597,019	7,374,805
Other liabilities	1,068,766	1,335,908	1,142,246	1,063,361	2,211,012	2,399,269
<b>Total liabilities</b>	<b>5,991,187</b>	<b>6,141,159</b>	<b>3,816,844</b>	<b>3,632,915</b>	<b>9,808,031</b>	<b>9,774,074</b>
<b><u>Net position</u></b>						
Invested in capital assets, net of related debt	47,650,292	48,074,143	4,914,608	4,191,853	52,564,900	52,265,996
Restricted	1,867,128	2,381,708	-	-	1,867,128	2,381,708
Unrestricted	3,507,544	3,109,527	2,578,368	3,081,142	6,085,912	6,190,669
<b>Total net position</b>	<b>\$ 53,024,964</b>	<b>\$ 53,565,378</b>	<b>\$ 7,492,976</b>	<b>\$ 7,272,995</b>	<b>\$ 60,517,940</b>	<b>\$ 60,838,373</b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$60.5 million (*total net position*).

By far the largest portion (approximately 86.8%) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately 3.1%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of *unrestricted net position*, (approximately 10.1%), may be used to meet the government's ongoing obligations to citizens and creditors.

The condensed statement of changes in net position is as follows:

<b>Changes in Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,232,959	\$ 1,014,826	\$ 1,637,891	\$ 1,424,780	\$ 2,870,850	\$ 2,439,606
Operating grants and contributions	132,633	103,329	109,233	44,957	241,866	148,286
Capital grants and contributions	396,724	669,828	-	-	396,724	669,828
General revenues:						
Property taxes	14,976,434	14,366,860	-	-	14,976,434	14,366,860
Intergovernmental	762,368	755,476	41,256	-	803,624	755,476
Other	2,333,623	3,001,755	7,587	9,410	2,341,210	3,011,165
<b>Total revenues</b>	<b>19,834,741</b>	<b>19,912,074</b>	<b>1,795,967</b>	<b>1,479,147</b>	<b>21,630,708</b>	<b>21,391,221</b>
<b>Expenses</b>						
General government	2,101,308	1,660,475	-	-	2,101,308	1,660,475
Public safety	3,849,847	3,823,156	-	-	3,849,847	3,823,156
Education	9,645,859	9,193,701	-	-	9,645,859	9,193,701
Public works	3,911,633	3,742,075	-	-	3,911,633	3,742,075
Health and human services	383,883	319,238	-	-	383,883	319,238
Culture and recreation	469,395	566,018	-	-	469,395	566,018
Interest expense	114,882	130,198	-	-	114,882	130,198
Water	-	-	511,757	597,073	511,757	597,073
Sewer	-	-	962,577	875,886	962,577	875,886
<b>Total expenses</b>	<b>20,476,807</b>	<b>19,434,861</b>	<b>1,474,334</b>	<b>1,472,959</b>	<b>21,951,141</b>	<b>20,907,820</b>
Change in net position before transfers	(642,066)	477,213	321,633	6,188	(320,433)	483,401
<b>Transfers</b>	<b>101,652</b>	<b>62,797</b>	<b>(101,652)</b>	<b>(62,797)</b>	<b>-</b>	<b>-</b>
Change in net position	(540,414)	540,010	219,981	(56,609)	(320,433)	483,401
Net position, beginning of year	53,565,378	53,025,368	7,272,995	7,329,604	60,838,373	60,354,972
Net position, end of year	<u>\$ 53,024,964</u>	<u>\$ 53,565,378</u>	<u>\$ 7,492,976</u>	<u>\$ 7,272,995</u>	<u>\$ 60,517,940</u>	<u>\$ 60,838,373</u>

**Governmental Activities** During 2013, Town property taxes made up approximately 75.5% of total revenues, up from 72.4% in the prior year. Property taxes continues to be the Town's largest revenue source and only single revenue source greater than 10% of total revenues. Major expenditures were for Education which at the highest percentage made up 47.1% of total expenses, down slightly from 47.3% in the prior year; Public Safety expenses were 18.8% of total expenses, down slightly from 19.7% in the prior year and Public Works expenses were 19.1% down from 19.3% in the prior year. These functional expenses were all consistent with expectations. No other expense types were greater than 10% of total expenses in 2013 or 2012.

**Business-type Activities** Major revenue sources consist of revenue from users which represented approximately 91.2% of total revenues down from 96.3% as more revenues from intergovernmental and betterments were received in the current year.

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

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

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$5.7 million. This is consistent with the prior year. Of the ending fund balance approximately \$4.9 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific purposes.

The general fund is the chief operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 26.3% of total general fund expenditures, while total fund balance represents approximately 30.8% of that same amount.

**Proprietary Funds** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the water fund was approximately \$2.7 million; and net position of the sewer fund amounted to approximately \$4.7 million.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were insignificant and less than 1% of budget.

## **Capital Asset and Debt Administration**

**Capital Assets** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to approximately \$56.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects a decrease of approximately \$0.9 million as additions of \$1.3 million were offset by depreciation of approximately \$2.2 million.

The Town has undergone significant capital improvements over the past several years. These include a new Town Hall, Library and major road improvements.

Additional information on the Town capital assets can be found in Note II, Section C. of this report.

**Long-term Debt** At the end of the current fiscal year, the Town had total debt outstanding of approximately \$4.2 million. Of this amount approximately \$1.6 million represents general obligation bonds of governmental activities and approximately \$2.6 million represents general obligation bonds and notes of business-type activities.

The Town's total long-term debt decreased by approximately \$0.8 million during the fiscal year due to regular scheduled pay downs of principal exceeding new issuances. Bond anticipation notes increased by \$0.4 million, as the Town continues to invest in its infrastructure.

The last bond rating received by the Town was an “AA”.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town’s debt can be found in Note II, Section E and F of this report.

### **Economic Factors and Next Year’s Budgets and Rates**

- Consistent with both State and National work force trends, the Town’s unemployment rates have stabilized and begun to improve over the past twelve months, and this trend may continue into calendar 2014.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2013 were approximately 81.9% of the entire levy. The Town does rely to a certain extent on its commercial, industrial and personnel property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy. The Town continues to adopt a balanced budget without reaching its taxing capacity.
- The Town’s housing market has stabilized from the recent downward trend; however, housing prices are still below their 2005 peaks. The Town housing market is rebounding at a pace similar with the local housing market.
- The Town set its tax rate for fiscal year 2014 during December, 2013.

The above items were considered when the Town developed its budget for fiscal year 2014.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Administrator, Town Hall 11 South Street, Westminster, Massachusetts 01473.

**TOWN OF WESTMINSTER, MASSACHUSETTS**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,420,804	\$ 2,895,249	\$ 10,316,053
Investments	622,092	-	622,092
Receivables (net):			
Property taxes	403,381	-	403,381
User fees	-	943,835	943,835
Betterments	-	357,527	357,527
Departmental and other	1,093,897	3,117	1,097,014
Intergovernmental	170,685	289,747	460,432
Capital assets, not being depreciated	9,920,555	114,966	10,035,521
Capital assets, net of accumulated depreciation	<u>39,384,737</u>	<u>6,705,379</u>	<u>46,090,116</u>
<b>Total Assets</b>	<u>59,016,151</u>	<u>11,309,820</u>	<u>70,325,971</u>
<b>Liabilities</b>			
Warrants and accounts payable	359,360	142,246	501,606
Other liabilities	2,255	-	2,255
Bond anticipation notes	707,151	1,000,000	1,707,151
Noncurrent liabilities:			
Due within one year	718,503	395,231	1,113,734
Due in more than one year	<u>4,203,918</u>	<u>2,279,367</u>	<u>6,483,285</u>
<b>Total Liabilities</b>	<u>5,991,187</u>	<u>3,816,844</u>	<u>9,808,031</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	47,650,292	4,914,608	52,564,900
Restricted	1,867,128	-	1,867,128
Unrestricted	<u>3,507,544</u>	<u>2,578,368</u>	<u>6,085,912</u>
<b>Total Net Position</b>	<u><b>\$ 53,024,964</b></u>	<u><b>\$ 7,492,976</b></u>	<u><b>\$ 60,517,940</b></u>

See accompanying notes to basic financial statements.

TOWN OF WESTMINSTER, MASSACHUSETTS

STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,101,308	\$ 94,215	\$ 50,678	\$ 155,799	\$ (1,800,616)		\$ (1,800,616)
Public safety	3,849,847	593,586	30,792	-	(3,225,469)		(3,225,469)
Education	9,645,859	-	7,722	-	(9,638,137)		(9,638,137)
Public works	3,911,633	404,853	-	240,925	(3,265,855)		(3,265,855)
Health and human services	383,883	135,448	25,851	-	(222,584)		(222,584)
Culture and recreation	469,395	4,857	17,590	-	(446,948)		(446,948)
Interest expense	114,882	-	-	-	(114,882)		(114,882)
Total governmental activities	20,476,807	1,232,959	132,633	396,724	(18,714,491)		(18,714,491)
Business-type activities:							
Water	511,757	771,093	55,236	-		\$ 314,572	314,572
Sewer	962,577	866,798	53,997	-		(41,782)	(41,782)
Total business-type activities	1,474,334	1,637,891	109,233	-		272,790	272,790
Total Primary Government	\$ 21,951,141	\$ 2,870,850	\$ 241,866	\$ 396,724	(18,714,491)	272,790	(18,441,701)
General Revenues:							
Property taxes					14,976,434	-	14,976,434
Motor vehicle and other excise					946,013	-	946,013
Intergovernmental					762,368	41,256	803,624
Penalties and interest on taxes					118,454	-	118,454
Investment income					58,505	7,587	66,092
Land fill revenue sharing					1,210,651	-	1,210,651
Transfers (net)					101,652	(101,652)	-
Total general revenues and transfers					18,174,077	(52,809)	18,121,268
Change in Net Position					(540,414)	219,981	(320,433)
Net Position:							
Beginning of year					53,565,378	7,272,995	60,838,373
End of year					\$ 53,024,964	\$ 7,492,976	\$ 60,517,940

See accompanying notes to basic financial statements.

**TOWN OF WESTMINSTER, MASSACHUSETTS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 5,903,403	\$ 1,704,073	\$ 7,607,476
Restricted investments	-	435,420	435,420
Receivables	1,211,674	285,604	1,497,278
Intergovernmental	-	170,685	170,685
<b>Total Assets</b>	<b>\$ 7,115,077</b>	<b>\$ 2,595,782</b>	<b>\$ 9,710,859</b>
 <b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Warrants and accounts payable	\$ 337,858	\$ 21,503	\$ 359,361
Other liabilities	2,255	-	2,255
Bond anticipation notes payable	-	707,151	707,151
Deferred revenues	1,047,430	285,604	1,333,034
<b>Total Liabilities</b>	<b>1,387,543</b>	<b>1,014,258</b>	<b>2,401,801</b>
 <b>Fund Balances:</b>			
Nonspendable	-	289,422	289,422
Restricted	760	1,574,228	1,574,988
Committed	463,505	-	463,505
Assigned	373,454	-	373,454
Unassigned	4,889,815	(282,126)	4,607,689
<b>Total Fund Balances</b>	<b>5,727,534</b>	<b>1,581,524</b>	<b>7,309,058</b>
 <b>Total Liabilities and Fund Balances</b>	 <b>\$ 7,115,077</b>	 <b>\$ 2,595,782</b>	 <b>\$ 9,710,859</b>

See accompanying notes to basic financial statements.

**TOWN OF WESTMINSTER, MASSACHUSETTS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

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<b>Total Governmental Fund Balances</b>	<b>\$ 7,309,058</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	49,305,292
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred on funds.	1,333,034
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:	
Bonds and notes payable	(1,655,000)
Compensated absences	(347,006)
Other postemployment benefits	<u>(2,920,414)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 53,024,964</u></u></b>

See accompanying notes to basic financial statements.

**TOWN OF WESTMINSTER, MASSACHUSETTS**

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

**JUNE 30, 2013**

	General Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 14,847,983	\$ -	\$ 14,847,983
Intergovernmental	785,213	324,645	1,109,858
Motor vehicle and other excises	966,005	-	966,005
Licenses and permits	261,731	-	261,731
Departmental and other revenue	223,101	640,664	863,765
Landfill revenue sharing	1,210,651		1,210,651
Penalties and interest on taxes	118,454	-	118,454
Fines and forfeitures	72,561	-	72,561
Investment income	23,461	35,044	58,505
Contributions and donations	-	192,966	192,966
<b>Total Revenues</b>	<u>18,509,160</u>	<u>1,193,319</u>	<u>19,702,479</u>
<b>Expenditures:</b>			
Current:			
General government	1,474,363	109,951	1,584,314
Public safety	2,768,616	36,676	2,805,292
Education	9,638,137	-	9,638,137
Public works	2,117,793	553,285	2,671,078
Health and human services	264,864	61,346	326,210
Culture and recreation	375,431	10,902	386,333
Fringe benefits	1,261,003	-	1,261,003
Debt service:			
Principal payoff	545,000	-	545,000
Interest expense	114,882	-	114,882
State and county tax assessments	58,538	-	58,538
<b>Total Expenditures</b>	<u>18,618,627</u>	<u>772,160</u>	<u>19,390,787</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(109,467)</u>	<u>421,159</u>	<u>311,692</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	542,745	287,811	830,556
Transfers out	(496,295)	(232,609)	(728,904)
<b>Total Other Financing Sources (Uses)</b>	<u>46,450</u>	<u>55,202</u>	<u>101,652</u>
<b>Net Change in Fund Balances</b>	(63,017)	476,361	413,344
Fund Balances - Beginning	<u>5,790,551</u>	<u>1,105,163</u>	<u>6,895,714</u>
Fund Balances - Ending	<u>\$ 5,727,534</u>	<u>\$ 1,581,524</u>	<u>\$ 7,309,058</u>

See accompanying notes to basic financial statements.

**TOWN OF WESTMINSTER, MASSACHUSETTS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2013**

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**Net Change in Fund Balances - Total Governmental Fund Balances** **\$ 413,344**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated over their estimated useful lives.

The following are the differences due to the difference in accounting methodology:

Cost of Capital additions	909,591	
Depreciation	<u>(1,878,441)</u>	(968,850)

The issuance of long-term debt 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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

The following are the differences due to the difference in accounting methodology:

Repayments of existing debt		545,000
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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 differ between the two statements. The amount presented represents the difference in deferred revenue.

132,262

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:

Compensated absences	(14,650)	
Other Postemployment Benefits	<u>(647,520)</u>	(662,170)

**Change in Net Position of Governmental Activities** **\$ (540,414)**

See accompanying notes to basic financial statements.

**TOWN OF WESTMINSTER, MASSACHUSETTS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 1,580,977	\$ 1,314,272	\$ 2,895,249
Receivables (net):			
User charges	441,054	502,781	943,835
Betterments	-	3,117	3,117
Due from other government	29,559	-	29,559
Total current assets	<u>2,051,590</u>	<u>1,820,170</u>	<u>3,871,760</u>
Noncurrent assets:			
Receivables (net):			
Betterments	-	357,527	357,527
Due from other government	260,188	-	260,188
Capital assets, not being depreciated	114,966	-	114,966
Capital assets, net of accumulated depreciation	<u>2,437,087</u>	<u>4,268,291</u>	<u>6,705,378</u>
Total noncurrent assets	<u>2,812,241</u>	<u>4,625,818</u>	<u>7,438,059</u>
<b>Total Assets</b>	<u>4,863,831</u>	<u>6,445,988</u>	<u>11,309,819</u>
<b>Liabilities:</b>			
Current liabilities:			
Warrants and accounts payable	13,094	129,152	142,246
Bond Anticipation Note Payable	1,000,000	-	1,000,000
Bonds and notes payable	115,601	271,160	386,761
Compensated absences	4,235	4,235	8,470
Total current liabilities	<u>1,132,930</u>	<u>404,547</u>	<u>1,537,477</u>
Noncurrent liabilities:			
Bonds and notes payable	929,841	1,239,526	2,169,367
Other post employment benefits	55,000	55,000	110,000
Total noncurrent liabilities	<u>984,841</u>	<u>1,294,526</u>	<u>2,279,367</u>
<b>Total Liabilities</b>	<u>2,117,771</u>	<u>1,699,073</u>	<u>3,816,844</u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	1,796,359	3,118,249	4,914,608
Unrestricted	<u>99,702</u>	<u>1,628,666</u>	<u>2,578,368</u>
<b>Total Net Position</b>	<u>\$ 2,746,061</u>	<u>\$ 4,746,915</u>	<u>\$ 7,492,976</u>

See accompanying notes to basic financial statements.

**TOWN OF WESTMINSTER, MASSACHUSETTS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
<b>Operating Revenues:</b>			
Charges for services	\$ 771,093	\$ 866,798	\$ 1,637,891
Other	55,236	53,997	109,233
Total Operating Revenues	<u>826,329</u>	<u>920,795</u>	<u>1,747,124</u>
<b>Operating Expenses:</b>			
Operating costs	315,487	749,346	1,064,833
Depreciation	135,489	144,862	280,351
Total Operating Expenses	<u>450,976</u>	<u>894,208</u>	<u>1,345,184</u>
<b>Operating Income (Loss)</b>	<u>375,353</u>	<u>26,587</u>	<u>401,940</u>
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental	41,256	-	41,256
Interest income	2,780	4,807	7,587
Interest expense	(60,781)	(68,369)	(129,150)
Total Nonoperating Revenues (Expenses)	<u>(16,745)</u>	<u>(63,562)</u>	<u>(80,307)</u>
<b>Income (Loss) Before Transfers</b>	358,608	(36,975)	321,633
Transfers (net)	<u>(151,947)</u>	<u>50,295</u>	<u>(101,652)</u>
<b>Change in Net Position</b>	206,661	13,320	219,981
Total Net Position - Beginning	<u>2,539,400</u>	<u>4,733,595</u>	<u>7,272,995</u>
Total Net Position - Ending	<u><b>\$ 2,746,061</b></u>	<u><b>\$ 4,746,915</b></u>	<u><b>\$ 7,492,976</b></u>

See accompanying notes to basic financial statements.

**TOWN OF WESTMINSTER, MASSACHUSETTS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts from users	\$ 821,974	\$ 837,084	\$ 1,659,058
Payments to vendors and employees	(425,334)	(656,610)	(1,081,944)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>396,640</u>	<u>180,474</u>	<u>577,114</u>
<b>Cash Flows from Noncapital Related Financing Activities:</b>			
Receipts from betterments	-	79,814	79,814
Transfers in (out)	(151,947)	50,295	(101,652)
<b>Net Cash (Used for) Provided by Noncapital Related Financing Activities</b>	<u>(151,947)</u>	<u>130,109</u>	<u>(21,838)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Government subsidy	69,063	-	69,063
Purchase or construction of fixed assets	(371,309)	-	(371,309)
Paydown of bond anticipation notes	(500,000)	-	(500,000)
Issuance of bond anticipation notes	1,000,000	-	1,000,000
Issuance of bonds and notes	82,860	-	82,860
Principal payments on bonds and notes	(111,376)	(270,444)	(381,820)
Interest expense	(60,781)	(68,369)	(129,150)
<b>Net Cash Provided from Capital and Related Financing Activities</b>	<u>108,457</u>	<u>(338,813)</u>	<u>(230,356)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest income	2,780	4,807	7,587
<b>Net Cash Provided by Investing Activities</b>	<u>2,780</u>	<u>4,807</u>	<u>7,587</u>
<b>Net Change in Cash and Cash Equivalents</b>	355,930	(23,423)	332,507
<b>Cash and Cash Equivalents:</b>			
Beginning of year	1,225,047	1,337,695	2,562,742
End of year	<u><b>\$ 1,580,977</b></u>	<u><b>\$ 1,314,272</b></u>	<u><b>\$ 2,895,249</b></u>
<b>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</b>			
Operating income (loss)	\$ 375,353	\$ 26,587	\$ 401,940
Depreciation expense	135,489	144,862	280,351
Changes in assets and liabilities:			
Receivables	(4,355)	(83,711)	(88,066)
Accounts payable and accrued expenses	(109,847)	92,736	(17,111)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u><b>\$ 396,640</b></u>	<u><b>\$ 180,474</b></u>	<u><b>\$ 577,114</b></u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF WESTMINSTER, MASSACHUSETTS**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

**JUNE 30, 2013**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ -	452,697
Investments	327,304	-
Receivables	-	796
	<u>327,304</u>	<u>453,493</u>
<b>Total Assets</b>	<u>327,304</u>	<u>453,493</u>
 <b>Liabilities:</b>		
Planning Board Deposits	-	453,493
	<u>-</u>	<u>453,493</u>
<b>Total Liabilities</b>	<u>-</u>	<u>453,493</u>
 <b>Net Position:</b>		
Held in trust for other purposes	327,304	-
	<u>327,304</u>	<u>-</u>
<b>Total Net Position</b>	<u><u>\$ 327,304</u></u>	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

**TOWN OF WESTMINSTER, MASSACHUSETTS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2013**

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	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Investment income	\$ 9,850
<b>Total Additions</b>	<u>9,850</u>
<b>Deductions:</b>	
Scholarships and assistance	<u>5,000</u>
<b>Total Deductions</b>	<u>5,000</u>
<b>Change in Net Position</b>	4,850
Total Net Position - Beginning	<u>322,454</u>
Total Net Position- Ending	<u><u>\$ 327,304</u></u>

See accompanying notes to basic financial statements.

## TOWN OF WESTMINSTER, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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#### I. Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

##### A. Reporting Entity

The Town is located in Worcester County, approximately 60 miles northeast of Boston. The Town was incorporated in 1759. The governing structure utilizes an open town meeting form, with an elected three-member Board of Selectmen, and an appointed Town Administrator who performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K-12 via regional school districts, water and sewer services, street maintenance, parks and recreational facilities. The water and sewer services are funded almost entirely with user charges.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

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

In 2013, the Town implemented GASB No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result of the implementation, the basic financial statements were renamed to the *statement of net position* and *statement of revenues, expenses and changes in net position*. These statements were formerly referred to as the *statement of net assets* and *statement of revenues, expensed and changes in net assets*. All previous references to *net assets* have been replaced with the concept of *net position* in accordance with GASB 63.

The Town did not have any assets or liabilities that were required to be reported as deferred outflows of resources and deferred inflows of resources in these 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 non-fiduciary activities of the primary government and its component units. *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.

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

reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. 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. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

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

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

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 are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Water Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Sewer Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The government reports the following fiduciary funds:

Private-Purpose Trust Fund – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for needy citizen benefit funds.

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for private public safety details and developer deposits. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

**D. Assets, Liabilities, and Net Position or Equity**

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Town are reported at fair value.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes to the statutory rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water and sewer user fees may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property taxes and excise taxes are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. The allowance for uncollectible balances for other receivables is estimated based on historical trends and specific account analysis.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment and vehicles and infrastructure (e.g. roads, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Net interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. 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.

Capital assets (excluding land and construction-in-process) are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	50 years
Machinery, equipment and vehicles	3-25 years
Infrastructure	25-50 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business –type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Investment income derived from nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary and permanent funds is retained in the respective funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

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

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Net Position – In the government-wide financial statements, net position reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt and outstanding debt related to future state reimbursements for capital construction costs are not considered to be capital related debt.

Net position are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted for* the following:

*Perpetual permanent funds* represent the endowment portion of donor restricted trusts that support governmental programs.

*Expendable permanent funds* represent amounts held in trust whereby expenditures are subject to various trust agreements.

*Capital projects* represent remaining balances from bond proceeds that are restricted by state law to specific capital purposes and borrowing terms.

*Gifts and donations* represent assets that are restricted by donors and other outside parties for specific governmental programs and uses.

*Federal and State grants* represent assets that have restrictions placed on them from federal and state granting agencies.

*Revolving funds* represent assets that are restricted by state laws for specific governmental programs and uses.

*Fund Equity* – The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. Under this Statement, in the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned as described below:

*Non-spendable* represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact.

The Town's non-spendable fund balance reported in the Nonmajor governmental funds consists of the corpus of an endowment for the Cemetery, Library and other purposes.

*Restricted* represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*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, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

*Assigned* represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Town Meeting, Board of Selectmen or their designee.

*Unassigned* represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately.

The following table reflects the Town's fund equity categorizations in accordance with GASB 54:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Non-Spendable:</b>			
Perpetual permanent funds	\$ -	\$ 289,422	\$ 289,422
<b>Restricted:</b>			
General government	760	314,259	315,019
Public safety	-	626,303	626,303
Education	-	2,032	2,032
Public works	-	529,185	529,185
Health and human services	-	11,126	11,126
Culture and recreation	-	91,323	91,323
<b>Committed:</b>			
General government	243,593	-	243,593
Public safety	60,625	-	60,625
Education	68,384	-	68,384
Public works	85,208	-	85,208
Culture and recreation	5,695	-	5,695
<b>Assigned:</b>			
General government	357,372	-	357,372
Public safety	15,242	-	15,242
Culture and recreation	840	-	840
Unassigned	<u>4,889,815</u>	<u>(282,126)</u>	<u>4,607,689</u>
<b>Totals</b>	<u>\$ 5,727,534</u>	<u>\$ 1,581,524</u>	<u>\$ 7,309,058</u>

## **E. Excess of Expenditures Over Appropriations and Deficits**

The Town incurred deficits in its capital projects funds, classified as nonmajor governmental funds, totaling \$282,126. These deficits will be funded through bond proceeds during future fiscal years.

## **F. Use of Estimates**

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

## **II. Detailed Notes to All Funds**

### **A. Deposits and Investments**

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

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

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

*Custodial Credit Risk: Deposits* - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$10,215,330 and the bank balance was \$10,423,458. Of the Town's bank balance, \$6,305,386 was covered by either federal depository insurance or by the depositors' insurance fund, \$2,668,110 was collateralized; and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk: Investments* - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town or System may not be able to recover the full amount of its principal investment and/or investment earnings. The Town's investments of \$428,706 in the MMDT, are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. United States governmental obligations totaling \$861,906 are exposed to custodial credit risk because the related securities are uninsured unregistered and are held by the counterparty.

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. The Town has 57% of its investments in US Government backed securities and 29% invested in MMDT.

Credit Risk – The Town has not adopted a formal policy related to credit risk. Standard and Poor’s Investor Service rated all debt securities as AA+ and MMDT is unrated.

The following is a schedule of classification and maturity for monetary investments held by the Town as of June 30, 2013:

Investments	Fair Value	Maturity in Years		
		<1 Year	1 - 5 Years	6 - 10 Years
<u>Investments with Maturities:</u>				
Corporate fixed income securities	\$ 861,906	\$ 124,160	\$ 680,475	\$ 57,271
Fixed income securities - government backed	124,714	20,059	104,655	-
Total Investments with Maturities	986,620	\$ 144,219	\$ 785,130	\$ 57,271
<u>Other Investments:</u>				
Mutual Funds	87,490			
State Investment Pool	428,706			
Total Investments	\$ 1,502,816			

**B. Receivables**

Receivables as of year-end for the Town's individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 403,381	\$ -	\$ 403,381
Tax liens and foreclosures	529,675	-	529,675
Deferred real estate taxes	44,848	-	44,848
Excise	69,526	-	69,526
Departmental and other	449,848		449,848
Intergovernmental	170,685	-	170,685
Total Governmental Receivables	\$ 1,667,963	\$ -	\$ 1,667,963

Receivables as of year-end for Town's proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges	\$ 430,654	\$ -	\$ 430,654
Water liens	9,687	-	9,687
Water other fees	713	-	713
Water intergovernmental	289,747	-	289,747
Sub-total Water Fund	<u>730,801</u>	<u>-</u>	<u>730,801</u>
Sewer user charges	492,090	-	492,090
Sewer betterments	360,644	-	360,644
Sewer liens	9,276	-	9,276
Sewer other fees	1,415	-	1,415
Sub-total Sewer Fund	<u>863,425</u>	<u>-</u>	<u>863,425</u>
Total Business-Type Receivables	<u>\$ 1,594,226</u>	<u>\$ -</u>	<u>\$ 1,594,226</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the components of deferred revenues in the governmental funds:

	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 403,381	\$ -	\$ 403,381
Tax liens and foreclosures	529,675	-	529,675
Deferred real estate taxes	44,848	-	44,848
Excise	69,526	-	69,526
Departmental and other	-	285,604	285,604
Total Deferred Revenues	<u>\$ 1,047,430</u>	<u>\$ 285,604</u>	<u>\$ 1,333,034</u>

MWPAT Loan Subsidies – The Town has entered into loan agreements since 2001 with the MWPAT. The Town expects to be subsidized by MWPAT in future years on a periodic basis for principal in the amount of \$289,747 and interest costs of \$174,690 until maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore the principal amount of \$289,747 has been reflected as receivables in the Water Enterprise fund.

Betterments – The Town reflects receivables of \$357,527 in its Sewer Enterprise Fund that represents amounts anticipated to be billed in the future for sewer betterments that the Town has funded through bond issuances.

### C. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 9,920,555	\$ -	\$ -	\$ 9,920,555
Construction in process	-	107,370	-	107,370
Total capital assets not being depreciated	<u>9,920,555</u>	<u>107,370</u>	<u>-</u>	<u>10,027,925</u>
Capital assets being depreciated:				
Land improvements	126,066	-	-	126,066
Buildings and improvements	10,584,682	-	-	10,584,682
Infrastructure	64,691,345	417,287	-	65,108,632
Machinery, vehicles and equipment	5,708,230	384,934	-	6,093,164
Total capital assets being depreciated	<u>81,110,323</u>	<u>802,221</u>	<u>-</u>	<u>81,912,544</u>
Less accumulated depreciation for:				
Land improvements	(121,605)	(2,231)	-	(123,836)
Buildings and improvements	(2,107,997)	(225,472)	-	(2,333,469)
Infrastructure	(34,475,825)	(1,315,926)	-	(35,791,751)
Machinery, vehicles and equipment	(4,051,309)	(334,812)	-	(4,386,121)
Total accumulated depreciation	<u>(40,756,736)</u>	<u>(1,878,441)</u>	<u>-</u>	<u>(42,635,177)</u>
Total capital assets being depreciated, net	<u>40,353,587</u>	<u>(1,076,220)</u>	<u>-</u>	<u>39,277,367</u>
Governmental activities capital assets, net	<u>\$ 50,274,142</u>	<u>\$ (968,850)</u>	<u>\$ -</u>	<u>\$ 49,305,292</u>
<i><u>Business-type Activities:</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ 114,966	\$ -	\$ -	\$ 114,966
Total capital assets not being depreciated	<u>114,966</u>	<u>-</u>	<u>-</u>	<u>114,966</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 436,850	\$ -	\$ -	\$ 436,850
Infrastructure	11,543,346	371,309	-	11,914,655
Machinery, vehicles and equipment	628,690	-	-	628,690
Total capital assets being depreciated	<u>12,608,886</u>	<u>371,309</u>	<u>-</u>	<u>12,980,195</u>
Less accumulated depreciation for:				
Buildings and improvements	(159,026)	(8,419)	-	(167,445)
Infrastructure	(5,334,459)	(236,133)	-	(5,570,592)
Machinery, vehicles and equipment	(500,979)	(35,801)	-	(536,780)
Total accumulated depreciation	<u>(5,994,464)</u>	<u>(280,353)</u>	<u>-</u>	<u>(6,274,817)</u>
Total capital assets being depreciated, net	<u>6,614,422</u>	<u>90,956</u>	<u>-</u>	<u>6,705,378</u>
Business-type activities capital assets, net	<u>\$ 6,729,388</u>	<u>\$ 90,956</u>	<u>\$ -</u>	<u>\$ 6,820,344</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities: Water</u>				
Capital assets not being depreciated:				
Construction in process	\$ 114,966	\$ -	\$ -	\$ 114,966
Total capital assets not being depreciated	<u>114,966</u>	<u>-</u>	<u>-</u>	<u>114,966</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 436,850	\$ -	\$ -	\$ 436,850
Infrastructure	5,256,197	371,309	-	5,627,506
Machinery, equipment and vehicles	341,359	-	-	341,359
Total capital assets being depreciated	<u>6,034,406</u>	<u>371,309</u>	<u>-</u>	<u>6,405,715</u>
Less accumulated depreciation for:				
Buildings and improvements	(159,026)	(8,419)	-	(167,445)
Infrastructure	(3,404,411)	(110,441)	-	(3,514,852)
Machinery, equipment and vehicles	(269,701)	(16,630)	-	(286,331)
Total accumulated depreciation	<u>(3,833,138)</u>	<u>(135,490)</u>	<u>-</u>	<u>(3,968,628)</u>
Total Water capital assets being depreciated, net	<u>2,201,268</u>	<u>235,819</u>	<u>-</u>	<u>2,437,087</u>
Water capital assets, net	<u>\$ 2,316,234</u>	<u>\$ 235,819</u>	<u>\$ -</u>	<u>\$ 2,552,053</u>
<u>Business-type Activities: Sewer</u>				
Capital assets being depreciated:				
Infrastructure	6,287,149	-	-	6,287,149
Machinery, equipment and vehicles	287,331	-	-	287,331
Total capital assets being depreciated	<u>6,574,480</u>	<u>-</u>	<u>-</u>	<u>6,574,480</u>
Less accumulated depreciation for:				
Infrastructure	(1,930,048)	(125,692)	-	(2,055,740)
Machinery, equipment and vehicles	(231,278)	(19,171)	-	(250,449)
Total accumulated depreciation	<u>(2,161,326)</u>	<u>(144,863)</u>	<u>-</u>	<u>(2,306,189)</u>
Total Sewer capital assets being depreciated, net	<u>4,413,154</u>	<u>(144,863)</u>	<u>-</u>	<u>4,268,291</u>
Sewer capital assets, net	<u>\$ 4,413,154</u>	<u>\$ (144,863)</u>	<u>\$ -</u>	<u>\$ 4,268,291</u>
<b>Total Business-type activities - capital assets, net</b>	<b><u>\$ 6,729,388</u></b>	<b><u>\$ 90,956</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,820,344</u></b>
Depreciation expense was charged to functions/programs as follows:				
<u>Governmental Activities:</u>				
General government	\$ 112,276			
Public safety	197,060			
Public works	1,481,462			
Culture and recreation	87,643			
Total Governmental Activities	<u>\$ 1,878,441</u>			
<u>Business-Type Activities:</u>				
Water	\$ 135,490			
Sewer	144,863			
Total Business-Type Activities	<u>\$ 280,353</u>			

**D. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>	
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>		
General Fund	\$ -	\$ 287,811	\$ 20,071	\$ 188,413	\$ 496,295	(1)
Nonmajor Governmental Funds	232,609	-	-	-	232,609	(2)
Water Enterprise Fund	172,018	-	-	-	172,018	(3)
Sewer Enterprise Fund	138,118	-	-	-	138,118	(4)
Total	<u>\$ 542,745</u>	<u>\$ 287,811</u>	<u>\$ 20,071</u>	<u>\$ 188,413</u>	<u>\$ 1,039,040</u>	

- (1) Transfers to nonmajor funds for capital project funding; to subsidize water and for sewer debt obligations.
- (2) Transfers to general fund to supplement operating budgets.
- (3) Transfers to general fund for indirect costs.
- (4) Transfers to general fund for indirect costs.

## E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue (RANS) or tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount. Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds.

The following reflects the temporary note activity.

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	0.80%	01/11/13	196,000	\$ -	(196,000)	\$ -
BAN	0.60%	03/22/13	350,000	-	(350,000)	-
BAN	0.50%	05/24/13	94,319	-	(94,319)	-
SAAN	0.50%	11/21/12	124,500	-	(124,500)	-
BAN	0.49%	01/10/14	-	98,000	-	98,000
BAN	0.49%	02/06/14	-	133,500	-	133,500
BAN	0.55%	03/21/14	-	262,500	-	262,500
BAN	0.45%	05/23/14	-	47,159	-	47,159
SAAN	0.55%	12/13/13	-	165,992	-	165,992
Total Governmental Notes			<u>764,819</u>	<u>707,151</u>	<u>(764,819)</u>	<u>707,151</u>
BAN	0.55%	06/14/13	500,000	-	(500,000)	-
BAN	0.59%	06/13/14	-	1,000,000	-	1,000,000
Total Business-Type Notes			<u>500,000</u>	<u>1,000,000</u>	<u>(500,000)</u>	<u>1,000,000</u>
Total Notes Payable			<u>\$ 1,264,819</u>	<u>\$ 1,707,151</u>	<u>\$ (1,264,819)</u>	<u>\$ 1,707,151</u>

## F. Long-Term Obligations

Bond and Note Indebtedness – The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2013:

Description of Issue	Maturing Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>						
General obligation bonds	2017	4.00 - 5.00%	\$ 2,200,000	\$ -	\$ (545,000)	\$ 1,655,000
<b>Total Governmental Activities</b>			<u>\$ 2,200,000</u>	<u>\$ -</u>	<u>\$ (545,000)</u>	<u>\$ 1,655,000</u>
<i>Business-type Activities - Water</i>						
General obligation bonds (via Fitchburg)	2022	2.00-4.15%	\$ -	\$ 82,860	\$ (8,286)	\$ 74,574
Massachusetts Water Pollution Abatement Trust note	2020	variable	1,073,958	-	(103,090)	970,868
<b>Total Water</b>			<u>1,073,958</u>	<u>82,860</u>	<u>(111,376)</u>	<u>1,045,442</u>
<i>Business-type Activities - Sewer</i>						
General obligation bonds	2019	2.00 - 4.15%	1,635,000	\$ -	\$ (235,000)	\$ 1,400,000
Massachusetts Water Pollution Abatement Trust note	2015	2.00%	146,130	-	(35,444)	110,686
<b>Total Sewer</b>			<u>1,781,130</u>	<u>-</u>	<u>(270,444)</u>	<u>1,510,686</u>
<b>Total Business-type Activities</b>			<u>\$ 2,855,088</u>	<u>\$ 82,860</u>	<u>\$ (381,820)</u>	<u>\$ 2,556,128</u>
<b>Total Bond and Note Debt</b>			<u>\$ 5,055,088</u>	<u>\$ 82,860</u>	<u>\$ (926,820)</u>	<u>\$ 4,211,128</u>

During the year ended June 30, 2013, the following reflects the activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
Bond and note debt	\$ 2,200,000	\$ -	\$ (545,000)	\$ 1,655,000	\$ 545,000
Compensated absences, net	332,356	180,828	(166,178)	347,006	173,503
Other postemployment benefits	2,272,895	745,862	(98,342)	2,920,415	-
<b>Total Governmental Activities</b>	<u>\$ 4,805,251</u>	<u>\$ 926,690</u>	<u>\$ (809,520)</u>	<u>\$ 4,922,421</u>	<u>\$ 718,503</u>
<i>Business-type Activities: Water</i>					
Bond and note debt	\$ 1,073,958	\$ 82,860	\$ (111,376)	\$ 1,045,442	\$ 115,601
Compensated absences, net	5,767	-	(1,532)	4,235	4,235
Other postemployment benefits, net	44,000	11,000	-	55,000	-
<b>Total Business-type Activities: Water</b>	<u>1,123,725</u>	<u>93,860</u>	<u>(112,908)</u>	<u>1,104,677</u>	<u>119,836</u>
<i>Business-type Activities: Sewer</i>					
Bond and note debt	1,781,130	-	(270,444)	1,510,686	271,160
Compensated absences, net	5,767	-	(1,532)	4,235	4,235
Other postemployment benefits, net	44,000	11,000	-	55,000	-
<b>Total Business-type Activities: Sewer</b>	<u>1,830,897</u>	<u>11,000</u>	<u>(271,976)</u>	<u>1,569,921</u>	<u>275,395</u>
<b>Total Business-type Activities: All</b>	<u>\$ 2,954,622</u>	<u>\$ 104,860</u>	<u>\$ (384,884)</u>	<u>\$ 2,674,598</u>	<u>\$ 395,231</u>
<b>Total Long-term Obligations</b>	<u>\$ 7,759,873</u>	<u>\$ 1,031,550</u>	<u>\$ (1,194,404)</u>	<u>\$ 7,597,019</u>	<u>\$ 1,113,734</u>

Future Debt Payoff - Payments on general long-term debt obligation bonds due in future years consist of the following:

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net of Subsidy	Balance	Subsidy	Net of Subsidy	
<i>Governmental Activities</i>							
2014	545,000	-	545,000	75,350	-	75,350	620,350
2015	370,000	-	370,000	48,100	-	48,100	418,100
2016	370,000	-	370,000	29,600	-	29,600	399,600
2017	370,000	-	370,000	14,800	-	14,800	384,800
Total	<u>\$ 1,655,000</u>	<u>\$ -</u>	<u>\$ 1,655,000</u>	<u>\$ 167,850</u>	<u>\$ -</u>	<u>\$ 167,850</u>	<u>\$ 1,822,850</u>
<i>Business-type Activities: Water</i>							
2014	115,601	(29,559)	86,042	52,418	(37,376)	15,042	101,084
2015	118,981	(31,167)	87,814	46,320	(33,477)	12,843	100,657
2016	123,206	(33,117)	90,089	39,970	(29,155)	10,815	100,904
2017	126,586	(34,896)	91,690	33,407	(24,924)	8,483	100,173
2018	131,656	(36,980)	94,676	26,278	(20,229)	6,049	100,725
2019-2021	429,412	(124,028)	305,384	34,919	(29,529)	5,390	310,774
Total	<u>\$ 1,045,442</u>	<u>\$ (289,747)</u>	<u>\$ 755,695</u>	<u>\$ 233,312</u>	<u>\$ (174,690)</u>	<u>\$ 58,622</u>	<u>\$ 814,317</u>
<i>Business-type Activities: Sewer</i>							
2014	271,160	-	271,160	58,253	-	58,253	329,413
2015	271,890	-	271,890	47,829	-	47,829	319,719
2016	272,636	-	272,636	38,036	-	38,036	310,672
2017	235,000	-	235,000	28,260	-	28,260	263,260
2018	230,000	-	230,000	18,860	-	18,860	248,860
2019	230,000	-	230,000	9,545	-	9,545	239,545
Total	<u>\$ 1,510,686</u>	<u>\$ -</u>	<u>\$ 1,510,686</u>	<u>\$ 200,783</u>	<u>\$ -</u>	<u>\$ 200,783</u>	<u>\$ 1,711,469</u>
<i>Business-type Activities: Total All</i>							
2014	386,761	(29,559)	357,202	110,671	(37,376)	73,295	430,497
2015	390,871	(31,167)	359,704	94,149	(33,477)	60,672	420,376
2016	395,842	(33,117)	362,725	78,006	(29,155)	48,851	411,576
2017	361,586	(34,896)	326,690	61,667	(24,924)	36,743	363,433
2018	361,656	(36,980)	324,676	45,138	(20,229)	24,909	349,585
2019-2021	659,412	(124,028)	535,384	44,464	(29,529)	14,935	550,319
Total	<u>\$ 2,556,128</u>	<u>\$ (289,747)</u>	<u>\$ 2,266,381</u>	<u>\$ 434,095</u>	<u>\$ (174,690)</u>	<u>\$ 259,405</u>	<u>\$ 2,525,786</u>

As of June 30, 2013, the Town had \$3,050,000 in authorized and unissued debt. \$2,500,000 was authorized for Senior Center construction and \$550,000 for a fire engine.

### **III. Other Information**

#### **A. Retirement System**

*Retirement System Description* – The Town contributes to the Worcester Regional Retirement System (the “System”), a multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (“MGL”) and administered by Worcester Regional Retirement Board (the “Board”).

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts’ Public Employee Retirement Administration Commission (“PERAC”) that includes financial statements and required supplementary information. The report may be obtained by writing to the Board at Worcester Regional Retirement System, 2 Main Street, Worcester, MA 01608.

*Funding Policy* – Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System for its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town’s contributions to the System for the fiscal years ended June 30, 2013, 2012, and 2011 were \$512,338, \$456,988, and \$411,657, respectively, which equaled its required contribution for each year. Schedules of funding progress and contribution funding are included as required supplementary information.

#### **B. Massachusetts Teachers’ Retirement System**

Former teachers and school administrative employees participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$7,722 for the fiscal year and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system.

#### **C. Risk Financing**

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town also carries premium based insurance through commercial carriers for various employee benefits including health, worker’s compensation, and unemployment compensation. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

**D. Other Postemployment-Employment Benefits (OPEB)**

*Plan Description* – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town’s insurance program. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 66 active employees and 14 retired employees with 9 spouses for a total of 89 participants.

*Funding Policy* - The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the calculated contribution and the remainder of the cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

*Annual OPEB Cost and Net OPEB Obligation* - The Town’s annual OPEB cost is calculated based on the annual required contribution “ARC” of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years. The following table reflects the activity regarding the Town’s OPEB obligation:

Annual required contribution (ARC)	\$ 783,229
Interest on net OPEB obligation	94,436
Adjustment to ARC	<u>( 109,803)</u>
Annual OPEB Cost	\$ 767,862
Contributions made	<u>( 98,342)</u>
Increase in net OPEB obligation	669,520
Net OPEB obligation at beginning of year	<u>2,360,895</u>
Net OPEB obligation at end of year	<u>\$ 3,030,415</u>

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2011	\$ 702,081	15.7%	\$ 1,709,630
June 30, 2012	\$ 727,733	10.5%	\$ 2,360,895
June 30, 2013	\$ 767,862*	12.8%	\$ 3,030,415

\* The AOPEBC was charged to the following functional programs: General Government \$98,236; Public Safety \$388,363; Public Works \$188,936; Health and Human Services \$33,852; and Culture and Recreation \$36,476. In the Business-Type Funds, Sewer and Water activities were charged \$11,000 each.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2013 for the most recent actuarial valuation performed as of July 1, 2011, was as follows:

Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Age Normal Cost B	Unfunded AAL (UAAL) (B – A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$ 6,805,222	\$ 6,805,222	0.00%	\$ 3,410,312	199.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the 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.

The significant methods and assumptions as of the latest valuation are as follows:

Funding interest rate:	4.0%
Projected annual payroll increase:	2.5%
2011 medical/drug trend rate	9.0%
Ultimate medical/drug trend rate:	5.0%
Year ultimate medical/drug trend rate reached:	2017
Remaining amortization period:	30 years as of June 30, 2011
Actuarial cost method	Entry Age Normal

**E. Commitments and Contingencies** – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2013, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2013.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The

amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

#### **F. Landfill Closure and Post-Closure Care Costs**

The Town's landfill is operated by a private company. Under the agreement with the private company, the Town shares in the revenue of the operation. In fiscal year 2013, the Town realized approximately \$1.2 million for its share of the activity. In addition, pursuant to the agreement, the responsibility of covering the landfill and the post closure care costs are the responsibility of the private company. In the event the private company is unable to meet this obligation, the ultimate responsibility lies with the Town. No provision has been made in the Town's financial statement for this potential cost.

### **IV. Implementation of New GASB Pronouncements**

#### **A. Current Year Implementation**

In November 2010, the GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement was to improve financial reporting by addressing issues related to service concession arrangements. The provisions of GASB 60 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement was to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of GASB 61 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*. The Statement was intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") pronouncements. The provisions of GASB 62 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement was to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. The provisions of GASB 63 became effective for the Town in fiscal year 2013 and its effect on the financial statements is described in Note I. B. of these financial statements.

In June 2011, the GASB issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement was to clarify whether an effective hedging relationship continues after the replacement of a swap-counterparty or a swap-counterparty's credit support provider. The provisions of GASB 64 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

## **B. Future Year Implementation**

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2012, the GASB issued GASB Statement No. 66, *an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more

comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013 (fiscal year 2014). The Town believes the adoption of this statement will have a material impact on the financial statements.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB 69 established accounting and financial reporting standards to government combinations and disposals of government operations. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2013 (fiscal year 2015). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB 70 is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2013 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

TOWN OF WESTMINSTER MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013

SCHEDULES OF FUNDING PROGRESS

Pension System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2012	\$ 436,671,982	\$ 982,796,782	\$ 546,124,800	44.4%	\$ 238,952,079	228.5%
1/1/2010	\$ 413,976,785	\$ 863,002,067	\$ 449,025,282	48.0%	\$ 241,992,607	185.6%
1/1/2007	\$ 389,758,785	\$ 692,768,325	\$ 303,009,540	56.3%	\$ 211,518,755	143.3%
1/1/2004	\$ 350,879,900	\$ 552,773,549	\$ 201,893,649	63.5%	\$ 170,669,442	118.3%

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
7/1/2011	\$ -	\$ 6,805,222	\$ 6,805,222	0.0%	\$ 3,410,312	199.5%
7/1/2008	\$ -	\$ 5,637,975	\$ 5,637,975	0.0%	\$ 2,870,954	196.4%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System

Fiscal Year Ended June 30,	Worcester Regional Retirement System			Town (B / A)	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	Town's Percentage of System Wide Actual Contributions
2013	\$ 35,056,320	\$ 35,056,320	100.0%	512,338	1.5%
2012	\$ 33,072,000	\$ 33,072,000	100.0%	456,988	1.4%
2011	\$ 31,200,000	\$ 31,200,000	100.0%	411,657	1.3%
2010	\$ 28,800,000	\$ 28,800,000	100.0%	378,383	1.3%

Other Postemployment Benefits

Year Ended June 30,	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed
2013	\$ 767,862	\$ 98,342	12.8%
2012	\$ 727,733	\$ 76,468	10.5%
2011	\$ 702,081	\$ 110,420	15.7%
2010	\$ 663,299	\$ 91,984	13.9%

See accompanying independent auditor's report.

TOWN OF WESTMINSTER, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Favorable (Unfavorable)
	Original Budget	Final Budget				
<b>Revenues:</b>						
Real estate and personal property	\$ 14,685,950	\$ 14,685,950	\$ 14,847,983	\$ -	\$ 14,847,983	\$ 162,033
Intergovernmental	806,781	806,781	777,491	-	777,491	(29,290)
Motor vehicle excise	925,000	925,000	966,005	-	966,005	41,005
Departmental and other revenue	166,000	166,000	218,101	-	218,101	52,101
Land fill revenue sharing	1,250,000	1,250,000	1,245,220	-	1,245,220	(4,780)
Licenses and Permits	160,000	160,000	261,731	-	261,731	101,731
Penalties and Interest	100,000	100,000	118,454	-	118,454	18,454
Fines and Forfeitures	60,000	60,000	72,561	-	72,561	12,561
Investment Income	10,000	10,000	8,813	-	8,813	(1,187)
<b>Total Revenues</b>	<b>18,163,731</b>	<b>18,163,731</b>	<b>18,516,359</b>	<b>-</b>	<b>18,516,359</b>	<b>352,628</b>
<b>Expenditures:</b>						
General government	1,835,704	1,835,704	1,474,363	243,593	1,717,956	117,748
Public safety	3,100,562	3,100,562	2,768,616	75,867	2,844,483	256,079
Education	9,728,028	9,728,028	9,638,137	68,384	9,706,521	21,507
Public works	2,233,820	2,233,820	2,117,793	85,208	2,203,001	30,819
Health and human services	290,938	290,938	264,864	-	264,864	26,074
Culture and recreation	395,433	395,433	375,431	6,535	381,966	13,467
Fringe benefits	1,381,194	1,381,194	1,253,281	-	1,253,281	127,913
State and county tax assessments	57,799	57,799	58,538	-	58,538	(739)
Debt service	933,125	933,125	697,894	-	697,894	235,231
<b>Total Expenditures</b>	<b>19,956,603</b>	<b>19,956,603</b>	<b>18,648,917</b>	<b>\$ 479,587</b>	<b>19,128,504</b>	<b>828,099</b>
<b>Other Financing Sources (Uses):</b>						
Transfers in	907,031	907,031	914,423	-	914,423	7,392
Transfers out	(1,172,472)	(1,172,472)	(1,458,283)	-	(1,458,283)	(285,811)
<b>Total Other Financing Sources (Uses)</b>	<b>(265,441)</b>	<b>(265,441)</b>	<b>(543,860)</b>	<b>-</b>	<b>(543,860)</b>	<b>(278,419)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE</b>						
	<b>(2,058,313)</b>	<b>(2,058,313)</b>	<b>\$ (676,418)</b>	<b>-</b>	<b>\$ (1,156,005)</b>	<b>\$ 902,308</b>
<b>Other Budgetary Items:</b>						
From overlay	10,000	10,000	-	-	-	-
From free cash	1,462,945	1,462,945	-	-	-	-
Prior year encumbrances	580,366	580,366	-	-	-	-
Other	5,002	5,002	-	-	-	-
<b>Total Other Budgetary Items</b>	<b>2,058,313</b>	<b>2,058,313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

See accompanying independent auditors' report.

See notes to the required supplementary information of this schedule.

**TOWN OF WESTMINSTER, MASSACHUSETTS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013**

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**I. Budgetary Basis of Accounting**

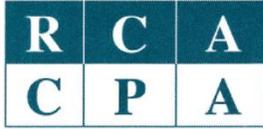
*Budgetary Information* – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and approved by the Town Meeting members at the Town’s annual meeting in May. Expenditures may not legally exceed appropriations at the department level, or in the categories of salaries, expenses and various other categories voted by Town Meeting. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within each of the budget categories. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments and budget categories. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2013, Town Meeting supplemental appropriations were not significant (less than 1%).

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

*Budgetary-to-GAAP Reconciliation* – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2013, is as follows:

	Accounting Differences	Fund Perspective Differences	Total
Revenue on a budgetary basis			\$ 18,516,359
On behalf pension subsidy	\$ 7,722	\$ -	7,722
Poor fund transfer	5,000	-	5,000
Revenue recognition	(34,569)	-	(34,569)
Interest earned by Stabilization Fund	-	14,648	14,648
Revenue on a GAAP basis	<u>\$ (21,847)</u>	<u>\$ 14,648</u>	<u>\$ 18,509,160</u>
Expenditures on a budgetary basis			\$ 18,648,917
On behalf pension payments	\$ 7,722	\$ -	7,722
Debt service recognition	-	(38,012)	(38,012)
Expenditures on a GAAP basis	<u>\$ 7,722</u>	<u>\$ (38,012)</u>	<u>\$ 18,618,627</u>
Transfers on a budgetary basis (net)			\$ (543,860)
Poor fund transfer	\$ (5,000)	\$ -	(5,000)
Debt service recognition	-	(38,012)	(38,012)
Stabilization transfers	-	633,322	633,322
Transfers on a GAAP basis (net)	<u>\$ -</u>	<u>\$ 595,310</u>	<u>\$ 46,450</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the Board of Selectmen  
Town of Westminster, Massachusetts

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westminster, Massachusetts (the "Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 27, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Roselli, Clark & Associates  
Certified Public Accountants  
December 27, 2013