

***TOWN OF WESTON, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2016***

TOWN OF WESTON, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

**TABLE OF CONTENTS**

Independent Auditor's Report.....1  
Management's Discussion and Analysis .....3  
Basic Financial Statements .....11  
    Statement of Net Position .....13  
    Statement of Activities .....14  
    Governmental Funds – Balance Sheet.....16  
    Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position.17  
    Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances.....18  
    Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
        Funds to the Statement of Activities .....19  
    Proprietary Funds – Statement of Net Position .....20  
    Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Position.....21  
    Proprietary Funds – Statement of Cash Flows .....22  
    Fiduciary Funds – Statement of Fiduciary Net Position.....23  
    Fiduciary Funds – Statement of Changes in Fiduciary Net Position .....24  
    Notes to Basic Financial Statements .....25  
Required Supplementary Information.....59  
    General Fund Budgetary Comparison Schedule .....60  
        General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....61  
    Pension Plan Schedules .....62  
        Schedule of the Town's proportionate share of the net pension liability .....63  
        Schedule of contributions .....64  
        Schedule of special funding amounts of the net pension liability .....65  
    Other Postemployment Benefit Plan Schedules.....66  
        Other Postemployment Benefit Plan Schedule of Funding Progress and Employer Contributions.....67  
        Other Postemployment Benefit Plan Actuarial Methods and Assumptions .....68  
    Notes to Required Supplementary Information.....69



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## **Independent Auditor's Report**

To the Town Manager and Board of Selectmen  
Town of Weston, 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 Weston, Massachusetts, as of and for the year ended June 30, 2016, 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 from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Weston, Massachusetts, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 30, 2016, on our consideration of the Town of Weston, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Weston, Massachusetts' internal control over financial reporting and compliance.

*Powers & Sullivan LLC*

December 30, 2016

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

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

As management of the Town of Weston, we offer readers of the Town of Weston's financial statements this narrative overview and analysis of the financial activities of the Town of Weston for the year ended June 30, 2016. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, facilities town-wide, finance, planning, land use and inspectional services, public safety, education, public works, health and human services, public library, community preservation and interest. The business-type activities include activities of the water department, recreation department, and the Brook School Apartments.

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well

as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information following the notes to the basic financial statements to demonstrate compliance with this budget.

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

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water activities, recreation activities, and Brook School Apartments.

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

The Town maintains two different types of fiduciary funds. The Other Postemployment Benefits Fund is used to report resources held in trust for healthcare benefits for retirees and beneficiaries. The Agency fund reports resources held by the Town in a custodial capacity for individuals, private organizations and other governments. The Town's agency funds are used to account for performance bonds, guaranteed deposits and student activity funds.

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

## ***Government-wide Financial Analysis***

### ***Governmental Activities:***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Weston's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$81.5 million at the close of 2016.

	2016 Governmental Activities	2015 Governmental Activities
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Current assets.....	\$ 60,286,540	\$ 81,560,015
Noncurrent assets (excluding capital).....	1,899,419	2,720,877
Capital assets.....	188,359,116	170,444,214
<b>Total assets.....</b>	<b><u>250,545,075</u></b>	<b><u>254,725,106</u></b>
<b>Deferred Outflows of Resources.....</b>	<b><u>3,174,041</u></b>	<b><u>505,456</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	7,622,418	9,102,557
Noncurrent liabilities (excluding debt).....	75,998,403	71,031,067
Current debt.....	13,447,217	16,859,303
Noncurrent debt.....	74,673,760	77,023,026
<b>Total liabilities.....</b>	<b><u>171,741,798</u></b>	<b><u>174,015,953</u></b>
<b>Deferred Inflows of Resources.....</b>	<b><u>431,522</u></b>	<b><u>-</u></b>
<b>Net Position:</b>		
Net investment in capital assets.....	107,238,419	99,080,322
Restricted.....	18,317,910	18,104,878
Unrestricted.....	(44,010,533)	(35,970,591)
<b>Total net position.....</b>	<b><u>\$ 81,545,796</u></b>	<b><u>\$ 81,214,609</u></b>

Net position of \$107.2 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$18.3 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit of \$44 million. The deficit is the result of the implementation of GASB #68 which required the Town to record its net pension liability of \$57.5 million along with the other postemployment benefits liability of \$17.3 million. These are long term unfunded liabilities that will not require significant short term resources.

The governmental activities net position increased by \$331,000 in 2016. This increase is primarily attributable to the combined effect of several offsetting factors. Net position increased as a result of better than anticipated budgetary results in the general fund of \$3.7 million, as well as the recognition of \$1.4 million of capital grants, offset by a \$1.1 million increase in other postemployment benefit liabilities and a \$3.8 million increase in net pension liability.

	2016 Governmental Activities	2015 Governmental Activities
<b>Program revenues:</b>		
Charges for services.....	\$ 4,488,713	\$ 4,475,804
Operating grants and contributions.....	12,960,250	10,214,015
Capital grants and contributions.....	1,105,924	2,110,629
<b>General revenues:</b>		
Real estate and personal property taxes.....	71,195,587	68,837,093
Community preservation fund surtax.....	1,970,217	1,896,941
Motor vehicle excise taxes.....	2,976,181	2,872,371
Penalties and interest on taxes.....	145,861	236,203
Payments in lieu of taxes.....	89,222	81,697
Grants and contributions not restricted to specific programs.....	711,987	674,984
Unrestricted investment income.....	415,058	422,893
Miscellaneous.....	-	5,126
<b>Total revenues.....</b>	<b>96,059,000</b>	<b>91,827,756</b>
<b>Expenses:</b>		
General government.....	3,605,171	3,200,355
Facilities town-wide.....	1,416,486	1,359,208
Finance.....	1,187,222	1,167,283
Planning, land use & inspectional services.....	1,047,890	979,979
Public safety.....	9,406,459	9,464,910
Education.....	66,957,989	63,062,399
Public works.....	5,526,925	6,002,217
Health & human services.....	1,145,665	1,137,542
Public library.....	2,113,473	1,971,842
Community preservation.....	158,074	830,750
Interest.....	2,717,140	2,368,578
<b>Total expenses.....</b>	<b>95,282,494</b>	<b>91,545,063</b>
<b>Excess before transfers.....</b>	<b>776,506</b>	<b>282,693</b>
<b>Transfers.....</b>	<b>(445,319)</b>	<b>(579,941)</b>
<b>Change in net position.....</b>	<b>331,187</b>	<b>(297,248)</b>
<b>Net position, beginning of year.....</b>	<b>81,214,609</b>	<b>81,511,857</b>
<b>Net position, end of year.....</b>	<b>\$ 81,545,796</b>	<b>\$ 81,214,609</b>

The other postemployment benefit expense is required to be recognized under GASB Statement #45. In accordance with this pronouncement, the Town obtained an actuarial valuation of the Town's liability to fund other postemployment benefits for current employees and retirees. The GASB allows the unfunded liability, which totaled \$67.3 million, to be amortized over 30 years. There is currently no legal obligation to pre-fund this liability; the Town has opted to fund the majority of their other postemployment benefits on a pay-as-you-go. As of June 30, 2016, the Town has pre-funded \$11.2 million of the liability, which is recorded in the fiduciary funds. The Town is required to record the difference between the current year pay-as-you go cost and the amount pre-funded, and the current year actuarial determined expense as a liability in the full accrual financial statements. This difference totaled \$1.1 million for governmental activities at June 30, 2016.

**Business-type Activities:**

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10.2 million at the close of 2016.

	2016 Business-type Activities	2015 Business-type Activities
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Current assets.....	\$ 4,955,940	\$ 4,922,037
Capital assets.....	14,278,961	13,841,876
<b>Total assets.....</b>	<b>19,234,901</b>	<b>18,763,913</b>
<b>Deferred Outflows of Resources.....</b>	<b>58,910</b>	<b>4,093</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	422,712	534,838
Noncurrent liabilities (excluding debt).....	1,589,276	1,614,949
Current debt.....	1,383,893	1,270,160
Noncurrent debt.....	5,726,887	6,446,280
<b>Total liabilities.....</b>	<b>9,122,768</b>	<b>9,866,227</b>
<b>Deferred Inflows of Resources.....</b>	<b>8,667</b>	<b>-</b>
<b>Net Position:</b>		
Net investment in capital assets.....	7,668,737	6,846,971
Unrestricted.....	2,493,639	2,054,808
<b>Total net position.....</b>	<b>\$ 10,162,376</b>	<b>\$ 8,901,779</b>

Business-type net position of \$7.7 million represents the net investment in capital assets. The remaining balance of unrestricted business-type net position totaled \$2.5 million.

	2016 Business-type Activities	2015 Business-type Activities
	<u>                    </u>	<u>                    </u>
<b>Program revenues:</b>		
Charges for services.....	\$ 5,760,423	\$ 4,757,379
Operating grants and contributions.....	653,552	647,074
<b>General revenues:</b>		
Unrestricted investment income.....	2,806	1,620
<b>Total revenues.....</b>	<b>6,416,781</b>	<b>5,406,073</b>
<b>Expenses:</b>		
Water.....	3,110,394	2,847,771
Recreation.....	1,601,433	1,582,984
Brook school apartments.....	889,676	955,184
<b>Total expenses.....</b>	<b>5,601,503</b>	<b>5,385,939</b>
<b>Excess before transfers.....</b>	<b>815,278</b>	<b>20,134</b>
<b>Transfers.....</b>	<b>445,319</b>	<b>579,941</b>
<b>Change in net position.....</b>	<b>1,260,597</b>	<b>600,075</b>
<b>Net position, beginning of year.....</b>	<b>8,901,779</b>	<b>8,301,704</b>
<b>Net position, end of year.....</b>	<b>\$ 10,162,376</b>	<b>\$ 8,901,779</b>

The Town's business-type activities include water, recreation, and the Brook School Apartments.

The water enterprise fund's net position of \$3.2 million represents the net investment in capital assets while \$2.1 million is unrestricted. Net position increased by \$718,000 primarily due to principal payments on long term debt exceeding depreciation expense by \$183,000 combined with an increase in revenues due to increased water usage over the prior year.

The recreation enterprise fund's net position of \$538,000 represents the net investment in capital assets while unrestricted net position was \$163,000. Net position decreased by \$37,000 after a general fund budgeted subsidy of \$479,000.

The Brook School Apartment enterprise fund's net position of \$3.9 million represents the net investment in capital assets while \$215,000 is unrestricted. Net position increased by \$580,000 primarily due to principal payments on long term debt exceeding depreciation expense by \$200,000.

### ***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 year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$45.4 million, a decrease of \$16.7 million from the prior year.

The general fund is the Town's chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$10 million, while \$3 million is committed for future Town articles and \$2.8 million has been assigned for encumbrances and continuing appropriations. The balance of the general fund increased by \$677,000 during the current year. This increase is primarily due to \$3.6 million of positive budgetary results and a \$752,000 increase in carryforwards over the prior year, as well as the receipt of a \$389,000 premium from the issuance of bonds, offset by the planned use of \$4.4 million of free cash and other reserves. 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 11.5% of total general fund expenditures, while total fund balance represents 18.1% of that same amount.

The community preservation fund balance reported a decrease of \$6.6 million during the current year. This decrease is attributable to \$6.7 million in expenditures related to the purchase of Case Estates.

The capital projects fund balance reported a decrease of \$11 million during the current year. This decrease is attributable to \$7.1 million in expenditures related to the purchase of Case Estates and \$6.3 million in expenditures related to the construction of the new police station, offset by \$4.3 million in bonds proceeds.

Nonmajor governmental funds reported an increase of \$269,000 in fund balance, which was primarily attributable to a timing difference between the receipt and expenditure of state and federal grants.

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

The Town has adopted a budget for the general fund. Actual revenues exceeded budgeted amounts by \$1.3 million. Unexpended appropriations totaled \$6.1 million of which \$3.7 million was carried forward to 2017. At the May special town meeting \$200,000 of supplemental appropriations were approved to fund snow and ice removal costs.

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

During the current year the Town expended \$25.5 million on governmental activities capital assets consisting mainly of \$6.3 million of construction costs for the police station, as well as \$2.3 million for various roadway improvement projects, \$13.8 million related to the Case Estates, and \$1.6 million related to the Warren Avenue construction project. Business-type activities expended \$966,000 for capital assets. Of this amount \$610,000 was expended for various water infrastructure improvements, and \$343,000 was expended for the completion of building improvements at the Brook School Apartments.

Outstanding long-term debt for governmental activities, as of June 30, 2016, totaled \$78.5 million, of which \$44.4 million relates to school projects, \$11.3 million relates to various public works projects, \$10.5 million relates to the police station construction, \$9.4 million for the Case Estate, and \$2.9 million for other CIP related projects.

Outstanding long-term debt for enterprise activities, as of June 30, 2016, totaled \$6.6 million, of which \$4.2 million relates to water enterprise activities, and \$2.4 million relates to Brook School Apartment activities.

Please refer to the notes to the basic financial statements for further discussion of the capital asset and debt activity.

## ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Weston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Weston, Massachusetts, 11 Town House Road Weston, Massachusetts 02493.

# ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2016

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 39,197,901	\$ 2,360,197	\$ 41,558,098
Investments.....	16,701,819	-	16,701,819
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,341,667	-	1,341,667
Tax liens.....	841,576	-	841,576
Motor vehicle excise taxes.....	105,852	-	105,852
User fees.....	-	2,543,874	2,543,874
Departmental and other.....	250,995	3,468	254,463
Intergovernmental.....	1,846,730	48,401	1,895,131
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	1,899,419	-	1,899,419
Capital Assets:			
Nondepreciable.....	52,568,457	193,942	52,762,399
Depreciable.....	135,790,659	14,085,019	149,875,678
<b>TOTAL ASSETS.....</b>	<b>250,545,075</b>	<b>19,234,901</b>	<b>269,779,976</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions.....	2,933,251	58,910	2,992,161
Deferred loss on refunded debt.....	240,790	-	240,790
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>3,174,041</b>	<b>58,910</b>	<b>3,232,951</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,339,315	143,799	1,483,114
Accrued payroll.....	1,844,347	33,252	1,877,599
Accrued interest.....	1,094,122	88,321	1,182,443
Payroll withholdings.....	270	-	270
Other liabilities.....	1,946,364	-	1,946,364
Customer deposits payable.....	-	61,340	61,340
Landfill closure.....	25,000	-	25,000
Compensated absences.....	1,373,000	96,000	1,469,000
Notes payable.....	6,406,193	472,000	6,878,193
Bonds payable.....	7,041,024	911,893	7,952,917
<b>NONCURRENT:</b>			
Landfill closure.....	75,000	-	75,000
Compensated absences.....	1,086,000	66,000	1,152,000
Other postemployment benefits.....	17,314,000	368,000	17,682,000
Net pension liability.....	57,523,403	1,155,276	58,678,679
Bonds payable.....	74,673,760	5,726,887	80,400,647
<b>TOTAL LIABILITIES.....</b>	<b>171,741,798</b>	<b>9,122,768</b>	<b>180,864,566</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions.....	431,522	8,667	440,189
<b>NET POSITION</b>			
Net investment in capital assets.....	107,238,419	7,668,737	114,907,156
Permanent funds:			
Expendable.....	8,337,459	-	8,337,459
Nonexpendable.....	6,903,884	-	6,903,884
Gifts and grants.....	3,076,567	-	3,076,567
Unrestricted.....	(44,010,533)	2,493,639	(41,516,894)
<b>TOTAL NET POSITION.....</b>	<b>\$ 81,545,796</b>	<b>\$ 10,162,376</b>	<b>\$ 91,708,172</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 3,605,171	\$ 1,326,507	\$ 666,938	\$ -	\$ (1,611,726)
Facilities town-wide.....	1,416,486	-	-	-	(1,416,486)
Finance.....	1,187,222	-	-	-	(1,187,222)
Planning, land use & inspectional services.....	1,047,890	-	-	-	(1,047,890)
Public safety.....	9,406,459	640,668	150,929	-	(8,614,862)
Education.....	66,957,989	1,755,939	11,872,429	-	(53,329,621)
Public works.....	5,526,925	507,991	29,563	479,968	(4,509,403)
Health & human services.....	1,145,665	169,533	142,381	-	(833,751)
Public library.....	2,113,473	80,686	70,481	-	(1,962,306)
Community preservation.....	158,074	7,389	-	625,956	475,271
Interest.....	2,717,140	-	27,529	-	(2,689,611)
<b>Total Governmental Activities.....</b>	<b>95,282,494</b>	<b>4,488,713</b>	<b>12,960,250</b>	<b>1,105,924</b>	<b>(76,727,607)</b>
<i>Business-Type Activities:</i>					
Water.....	3,110,394	4,086,610	-	-	976,216
Recreation.....	1,601,433	1,034,061	45,284	-	(522,088)
Brook School Apartments.....	889,676	639,752	608,268	-	358,344
<b>Total Business-Type Activities.....</b>	<b>5,601,503</b>	<b>5,760,423</b>	<b>653,552</b>	<b>-</b>	<b>812,472</b>
<b>Total Primary Government.....</b>	<b>\$ 100,883,997</b>	<b>\$ 10,249,136</b>	<b>\$ 13,613,802</b>	<b>\$ 1,105,924</b>	<b>\$ (75,915,135)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(76,727,607)</b>	\$ <b>812,472</b>	\$ <b>(75,915,135)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	71,195,587	-	71,195,587
Community preservation fund surtax.....	1,970,217	-	1,970,217
Motor vehicle excise taxes.....	2,976,181	-	2,976,181
Penalties and interest on taxes.....	145,861	-	145,861
Payments in lieu of taxes.....	89,222	-	89,222
Grants and contributions not restricted to specific programs.....	711,987	-	711,987
Unrestricted investment income.....	415,058	2,806	417,864
<i>Transfers, net</i> .....	(445,319)	445,319	-
Total general revenues.....	<u>77,058,794</u>	<u>448,125</u>	<u>77,506,919</u>
Change in net position.....	331,187	1,260,597	1,591,784
<i>Net Position:</i>			
Beginning of year.....	<u>81,214,609</u>	<u>8,901,779</u>	<u>90,116,388</u>
End of year.....	\$ <u><u>81,545,796</u></u>	\$ <u><u>10,162,376</u></u>	\$ <u><u>91,708,172</u></u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2016

	General	Community Preservation Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 19,753,106	\$ 7,883,922	\$ 4,516,301	\$ 7,044,302	\$ 39,197,631
Investments.....	778,430	4,120,872	-	11,802,517	16,701,819
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	1,323,868	17,799	-	-	1,341,667
Tax liens.....	819,466	22,110	-	-	841,576
Motor vehicle excise taxes.....	105,852	-	-	-	105,852
Departmental and other.....	175,995	-	-	75,000	250,995
Intergovernmental.....	2,519,096	369,000	83,726	774,327	3,746,149
<b>TOTAL ASSETS.....</b>	<b>\$ 25,475,813</b>	<b>\$ 12,413,703</b>	<b>\$ 4,600,027</b>	<b>\$ 19,696,146</b>	<b>\$ 62,185,689</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 981,439	\$ 16,486	\$ 257,199	\$ 84,191	\$ 1,339,315
Accrued payroll.....	1,792,109	365	-	51,873	1,844,347
Other liabilities.....	1,946,364	-	-	-	1,946,364
Notes payable.....	-	-	6,406,193	-	6,406,193
<b>TOTAL LIABILITIES.....</b>	<b>4,719,912</b>	<b>16,851</b>	<b>6,663,392</b>	<b>136,064</b>	<b>11,536,219</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues.....	4,892,871	39,906	-	358,476	5,291,253
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	6,903,884	6,903,884
Restricted.....	-	12,356,946	3,385,385	12,297,722	28,040,053
Committed.....	2,969,060	-	-	-	2,969,060
Assigned.....	2,846,154	-	-	-	2,846,154
Unassigned.....	10,047,816	-	(5,448,750)	-	4,599,066
<b>TOTAL FUND BALANCES.....</b>	<b>15,863,030</b>	<b>12,356,946</b>	<b>(2,063,365)</b>	<b>19,201,606</b>	<b>45,358,217</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 25,475,813</b>	<b>\$ 12,413,703</b>	<b>\$ 4,600,027</b>	<b>\$ 19,696,146</b>	<b>\$ 62,185,689</b>

See notes to basic financial statements.

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

JUNE 30, 2016

Total governmental fund balances.....		\$ 45,358,217
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		188,359,116
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		5,291,253
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		2,501,729
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(1,094,122)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(78,543,600)	
Unamortized premium.....	(3,171,184)	
Unamortized deferred loss on refunding.....	240,790	
Landfill closure.....	(100,000)	
Compensated absences.....	(2,459,000)	
Net pension liability.....	(57,523,403)	
Other postemployment benefits.....	(17,314,000)	
Net effect of reporting long-term liabilities.....		<u>(158,870,397)</u>
Net position of governmental activities.....		<u>\$ 81,545,796</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	Community Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 70,697,322	\$ 1,959,950	\$ -	\$ -	\$ 72,657,272
Tax liens.....	52,986	-	-	-	52,986
Motor vehicle excise taxes.....	2,982,398	-	-	-	2,982,398
Charges for services.....	342,217	-	-	614,030	956,247
Penalties and interest on taxes.....	142,891	2,970	-	-	145,861
Fees and rentals.....	325,760	-	-	-	325,760
Payments in lieu of taxes.....	89,222	-	-	-	89,222
Licenses and permits.....	1,328,945	-	-	-	1,328,945
Fines and forfeitures.....	101,366	-	-	-	101,366
Intergovernmental.....	10,167,850	625,956	-	4,493,316	15,287,122
Departmental and other.....	792,596	7,389	-	525,705	1,325,690
Contributions.....	-	-	-	532,573	532,573
Investment income.....	96,557	101,093	-	217,408	415,058
<b>TOTAL REVENUES.....</b>	<b>87,120,110</b>	<b>2,697,358</b>	<b>-</b>	<b>6,383,032</b>	<b>96,200,500</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General government.....	1,800,386	-	-	199,437	1,999,823
Facilities town-wide.....	1,692,201	-	-	-	1,692,201
Finance.....	822,432	-	-	-	822,432
Planning, land use & inspectional services.....	761,992	-	7,109,835	-	7,871,827
Public safety.....	6,710,032	-	6,349,968	73,101	13,133,101
Education.....	37,263,677	-	240,003	4,783,371	42,287,051
Public works.....	3,652,667	-	1,687,900	509,873	5,850,440
Health & human services.....	689,736	-	-	101,670	791,406
Public library.....	1,281,942	-	-	145,149	1,427,091
Community preservation.....	-	8,662,161	-	-	8,662,161
Insurance.....	657,642	-	-	-	657,642
Employee benefits.....	22,445,266	-	-	-	22,445,266
State and county charges.....	292,242	-	-	-	292,242
<b>Debt service:</b>					
Principal.....	6,173,000	300,000	-	-	6,473,000
Interest.....	2,771,857	155,392	-	-	2,927,249
<b>TOTAL EXPENDITURES.....</b>	<b>87,015,072</b>	<b>9,117,553</b>	<b>15,387,706</b>	<b>5,812,601</b>	<b>117,332,932</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>105,038</b>	<b>(6,420,195)</b>	<b>(15,387,706)</b>	<b>570,431</b>	<b>(21,132,432)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds.....	-	-	4,302,400	-	4,302,400
Premium from issuance of bonds.....	389,358	-	-	-	389,358
Transfers in.....	801,479	-	74,200	-	875,679
Transfers out.....	(619,224)	(212,300)	-	(301,000)	(1,132,524)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>571,613</b>	<b>(212,300)</b>	<b>4,376,600</b>	<b>(301,000)</b>	<b>4,434,913</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>676,651</b>	<b>(6,632,495)</b>	<b>(11,011,106)</b>	<b>269,431</b>	<b>(16,697,519)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>15,186,379</b>	<b>18,989,441</b>	<b>8,947,741</b>	<b>18,932,175</b>	<b>62,055,736</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 15,863,030</b>	<b>\$ 12,356,946</b>	<b>\$ (2,063,365)</b>	<b>\$ 19,201,606</b>	<b>\$ 45,358,217</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds.....		\$ (16,697,519)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	25,465,644	
Depreciation expense.....	<u>(7,550,742)</u>	
Net effect of reporting capital assets.....		17,914,902
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(361,990)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of bonds.....	(4,302,400)	
Debt service principal payments.....	6,473,000	
Amortization of premium.....	498,510	
Premium from issuance of bonds, net of issue costs.....	(389,358)	
Amortization of deferred loss on refunding.....	<u>(83,226)</u>	
Net effect of reporting long-term debt.....		2,196,526
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in accrued interest on long-term debt.....	15,315	
Net change in accrued landfill liability.....	25,000	
Net change in compensated absences accrual.....	(152,000)	
Net change in other postemployment benefit liability.....	(1,133,000)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	2,320,289	
Net change in net pension liability.....	<u>(3,796,336)</u>	
Net effect of recording long-term liabilities.....		<u>(2,720,732)</u>
Change in net position of governmental activities.....		\$ <u>331,187</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Recreation	Brook School Apartments	Total
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 983,312	\$ 600,241	\$ 776,644	\$ 2,360,197
Receivables, net of allowance for uncollectibles:				
User fees.....	2,543,874	-	-	2,543,874
Departmental and other.....	-	-	3,468	3,468
Intergovernmental.....	-	-	48,401	48,401
Total current assets.....	<u>3,527,186</u>	<u>600,241</u>	<u>828,513</u>	<u>4,955,940</u>
<b>NONCURRENT:</b>				
Capital assets:				
Nondepreciable.....	159,577	34,365	-	193,942
Depreciable.....	7,186,821	503,970	6,394,228	14,085,019
Total noncurrent assets.....	<u>7,346,398</u>	<u>538,335</u>	<u>6,394,228</u>	<u>14,278,961</u>
<b>TOTAL ASSETS.....</b>	<u>10,873,584</u>	<u>1,138,576</u>	<u>7,222,741</u>	<u>19,234,901</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions.....	35,066	-	23,844	58,910
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	90,923	28,382	24,494	143,799
Accrued payroll.....	4,154	26,828	2,270	33,252
Accrued interest.....	47,368	-	40,953	88,321
Customer deposits payable.....	-	-	61,340	61,340
Compensated absences.....	27,000	59,000	10,000	96,000
Notes payable.....	472,000	-	-	472,000
Bonds payable.....	478,400	-	433,493	911,893
Total current liabilities.....	<u>1,119,845</u>	<u>114,210</u>	<u>572,550</u>	<u>1,806,605</u>
<b>NONCURRENT:</b>				
Compensated absences.....	45,000	21,000	-	66,000
Other postemployment benefits.....	39,000	302,000	27,000	368,000
Net pension liability.....	687,677	-	467,599	1,155,276
Bonds payable.....	3,673,400	-	2,053,487	5,726,887
Total noncurrent liabilities.....	<u>4,445,077</u>	<u>323,000</u>	<u>2,548,086</u>	<u>7,316,163</u>
<b>TOTAL LIABILITIES.....</b>	<u>5,564,922</u>	<u>437,210</u>	<u>3,120,636</u>	<u>9,122,768</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pension.....	5,159	-	3,508	8,667
<b>NET POSITION</b>				
Net investment in capital assets.....	3,231,821	538,335	3,907,248	7,677,404
Unrestricted.....	2,106,748	163,031	215,193	2,484,972
<b>TOTAL NET POSITION.....</b>	<u>\$ 5,338,569</u>	<u>\$ 701,366</u>	<u>\$ 4,122,441</u>	<u>\$ 10,162,376</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Funds			
	Water	Recreation	Brook School Apartments	Total
<b>OPERATING REVENUES:</b>				
Charges for services .....	\$ 4,086,610	\$ 1,034,061	\$ 639,752	\$ 5,760,423
Intergovernmental.....	-	4,400	608,268	612,668
Contributions.....	-	40,884	-	40,884
<b>TOTAL OPERATING REVENUES .....</b>	<b>4,086,610</b>	<b>1,079,345</b>	<b>1,248,020</b>	<b>6,413,975</b>
<b>OPERATING EXPENSES:</b>				
Cost of services and administration .....	2,736,196	1,569,213	608,170	4,913,579
Depreciation.....	270,566	32,220	226,160	528,946
<b>TOTAL OPERATING EXPENSES .....</b>	<b>3,006,762</b>	<b>1,601,433</b>	<b>834,330</b>	<b>5,442,525</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>1,079,848</b>	<b>(522,088)</b>	<b>413,690</b>	<b>971,450</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income.....	2,718	-	88	2,806
Interest expense.....	(103,632)	-	(55,346)	(158,978)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(100,914)</b>	<b>-</b>	<b>(55,258)</b>	<b>(156,172)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS.....</b>	<b>978,934</b>	<b>(522,088)</b>	<b>358,432</b>	<b>815,278</b>
<b>CAPITAL CONTRIBUTIONS.....</b>	<b>-</b>	<b>-</b>	<b>188,474</b>	<b>188,474</b>
<b>TRANSFERS:</b>				
Transfers in.....	56,500	485,521	215,303	757,324
Transfers out.....	(317,833)	-	(182,646)	(500,479)
<b>TOTAL TRANSFERS.....</b>	<b>(261,333)</b>	<b>485,521</b>	<b>32,657</b>	<b>256,845</b>
<b>CHANGE IN NET POSITION.....</b>	<b>717,601</b>	<b>(36,567)</b>	<b>579,563</b>	<b>1,260,597</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>4,620,968</b>	<b>737,933</b>	<b>3,542,878</b>	<b>8,901,779</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 5,338,569</b>	<b>\$ 701,366</b>	<b>\$ 4,122,441</b>	<b>\$ 10,162,376</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Recreation	Brook School Apartments	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users.....	\$ 3,576,644	\$ 1,074,945	\$ 643,215	\$ 5,294,804
Receipts from other governments.....	-	4,400	606,427	610,827
Payments to vendors.....	(2,546,924)	(602,205)	(547,066)	(3,696,195)
Payments to employees.....	(258,064)	(976,563)	(164,136)	(1,398,763)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>771,656</b>	<b>(499,423)</b>	<b>538,440</b>	<b>810,673</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in.....	56,500	485,521	215,303	757,324
Transfers out.....	(317,833)	-	(182,646)	(500,479)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(261,333)</b>	<b>485,521</b>	<b>32,657</b>	<b>256,845</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from the issuance of bonds and notes.....	304,500	-	-	304,500
Capital contributions.....	-	-	188,474	188,474
Acquisition and construction of capital assets.....	(610,361)	(12,865)	(342,805)	(966,031)
Principal payments on bonds and notes.....	(453,100)	-	(425,900)	(879,000)
Interest expense.....	(105,322)	-	(94,317)	(199,639)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(864,283)</b>	<b>(12,865)</b>	<b>(674,548)</b>	<b>(1,551,696)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income.....	2,718	-	88	2,806
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(351,242)</b>	<b>(26,767)</b>	<b>(103,363)</b>	<b>(481,372)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,334,554	627,008	880,007	2,841,569
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 983,312</b>	<b>\$ 600,241</b>	<b>\$ 776,644</b>	<b>\$ 2,360,197</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Operating income (loss).....	\$ 1,079,848	\$ (522,088)	\$ 413,690	\$ 971,450
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	270,566	32,220	226,160	528,946
Deferred (outflows)/inflows of resources related to pensions.....	(27,604)	-	(18,546)	(46,150)
Changes in assets and liabilities:				
User fees.....	(509,966)	-	-	(509,966)
Departmental and other.....	-	-	(3,468)	(3,468)
Intergovernmental.....	-	-	(1,841)	(1,841)
Warrants payable.....	(54,552)	(16,186)	(23,085)	(93,823)
Accrued payroll.....	(1,451)	(22,369)	(1,913)	(25,733)
Customer deposits payable and other liabilities.....	-	-	6,931	6,931
Compensated absences.....	6,000	9,000	1,000	16,000
Other postemployment benefits.....	3,000	20,000	2,000	25,000
Net pension liability.....	5,815	-	(62,488)	(56,673)
Total adjustments.....	(308,192)	22,665	124,750	(160,777)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 771,656</b>	<b>\$ (499,423)</b>	<b>\$ 538,440</b>	<b>\$ 810,673</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Other Postemployment Benefit Fund	Agency Funds
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 30,220	\$ 1,023,074
Investments.....	11,193,067	-
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	-	166,673
Intergovernmental.....	-	11,934
TOTAL ASSETS.....	<u>11,223,287</u>	<u>1,201,681</u>
<b>LIABILITIES</b>		
Warrants payable.....	-	12,552
Accrued liabilities.....	-	36,138
Liabilities due depositors.....	-	1,055,663
Other liabilities.....	-	97,328
TOTAL LIABILITIES.....	<u>-</u>	<u>1,201,681</u>
<b>NET POSITION</b>		
Held in trust for other postemployment benefits.....	<u>\$ 11,223,287</u>	<u>\$ -</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	<u>Other Postemployment Benefit Fund</u>
<u>ADDITIONS:</u>	
Contributions:	
Employer.....	\$ 1,606,925
Net investment income (loss):	
Investment income.....	<u>287,421</u>
CHANGE IN NET POSITION.....	1,894,346
NET POSITION AT BEGINNING OF YEAR.....	<u>9,328,941</u>
NET POSITION AT END OF YEAR.....	\$ <u><u>11,223,287</u></u>

See notes to basic financial statements.

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

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

**A. Reporting Entity**

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

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that require inclusion in the basic financial statements.

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

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

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

#### *Government-Wide Financial Statements*

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

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

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

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

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

Real estate, personal property tax, motor vehicle taxes and other revenues are considered available when the cash is received and are recognized as revenue at that time. Investment income is susceptible to accrual.

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

The *Brook School Apartment enterprise fund* is used to account for the Town's Brook School Apartment activities.

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

The following fiduciary fund types are reported:

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

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist primarily of performance bonds, bid deposits, and student activities. Agency funds do not present the results of operations or have a measurement focus.

#### D. Cash and Investments

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

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

#### E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

#### F. Accounts Receivable

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

The recognition of revenue related to accounts receivable reported in the government-wide financial statements, the proprietary funds financial statements, and the fiduciary fund financial statements are reported under the

accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

### ***Real Estate, Personal Property Taxes and Tax Liens***

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

Real estate tax liens are processed in the first quarter after the close of the valuation year on delinquent properties and are recorded as receivables in the year they are processed.

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

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

### ***Motor Vehicle Excise Taxes***

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

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

### ***User Fees***

User fees are levied semi-annually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed once a year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy and are recorded under the modified accrual basis of accounting.

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

### ***Departmental and Other***

Departmental and other receivables consist primarily of amounts from ambulance receivables and are recorded as receivables in the year accrued.

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

### ***Intergovernmental***

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

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

G. Inventories

*Government-Wide and Fund Financial Statements*

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

H. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

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

All purchases and construction costs in excess of \$20,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis, in accordance with Massachusetts General Laws (MGL). The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	20-40
Machinery, equipment, and furnishings.....	5-10
Infrastructure.....	50-75

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

*Governmental Fund Financial Statements*

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

I. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. As of June 30, 2016, the Town reported deferred loss on refunded debt and deferred outflows of resources related to pensions in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. As of June 30, 2016, the Town reported deferred inflows related to pensions in this category.

#### *Governmental Fund Financial Statements*

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. Unavailable revenue at the governmental fund financial statement level represents non-exchange revenues received in advance or outstanding receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

#### J. Interfund Receivables and Payables

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

#### K. Interfund Transfers

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

#### L. Unavailable Revenue

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting, i.e. receivables that are not considered to be available to liquidate liabilities

of the current period. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

#### M. Net Position and Fund Equity

##### *Government-Wide Financial Statements (Net Position)*

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

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

Net position has been “restricted for” the following:

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

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

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

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

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

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose.

Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

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

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

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

#### N. Long-term debt

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

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

##### *Governmental Fund Financial Statements*

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

#### O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Middlesex County Retirement System (MCRS) and the Massachusetts Teachers Retirement System additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### P. Investment Income

Excluding the permanent funds, investment income derived from special revenue and capital project funds is legally assigned to the general fund unless otherwise directed by MGL.

#### Q. Compensated Absences

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

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

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

**S. Total Column***Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 – CASH AND INVESTMENTS**

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

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

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

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Weston's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$34,444,505 and the bank balance totaled \$34,589,026. Of the bank balance, \$2,205,506 was covered by Federal Depository Insurance \$21,085,010 was covered by the Depositors Insurance

Fund, \$485,648 was covered by Share Insurance Fund, \$10,355,261 was collateralized and \$457,601 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Town of Weston had the following investments, including cash equivalents classified as investments, at June 30, 2016:

Investment Type	Fair Value	Maturity			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
<u>Debt Securities:</u>					
United States Treasuries.....	\$ 3,177,012	\$ 420,215	\$ 2,756,797	\$ -	\$ -
Federal National Mortgage Association.....	1,460,542	1,300,544	-	32,047	127,951
Federal Home Loan Mortgage Corporation.....	1,475,266	1,310,233	-	165,033	-
Government National Mortgage Association.....	1,963,494	1,510,095	105,491	52,408	295,500
Total Debt Securities.....	8,076,314	\$ 4,541,087	\$ 2,862,288	\$ 249,488	\$ 423,451
<u>Other Investments:</u>					
Equity Securities.....	8,625,505				
MMDT.....	3,623,305				
Mutual funds.....	11,193,067				
Money Market Mutual Funds.....	2,710,200				
Total Investments.....	\$ 34,228,391				

The OPEB fiduciary fund’s \$11,193,067 in investments is reported as mutual funds listed above.

Custodial Credit Risk – Town Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town’s investments, \$3,177,012 in U.S. Treasury Securities, \$1,460,542 in Federal National Mortgage Association, \$1,475,266 in Federal Home Loan Mortgage Corporation, \$1,963,494 in Government National Mortgage Association, and \$8,625,505 in equity securities, the Town has custodial credit risk exposure of \$16,701,819 because the related securities are uninsured, unregistered and held by the counterparty.

Interest Rate Risk – Town Investments

The Town’s investment policy limits investment maturities of general operating funds to one year as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately three months.

Credit Risk – Town Investments

The Town has not adopted a formal policy related to credit risk. At June 30, 2016 the Town's debt securities were rated as follows:

<u>Quality Ratings</u>	<u>United States Treasury</u>	<u>Federal National Mortgage Association</u>	<u>Federal Home Loan Mortgage Corporation</u>	<u>Government National Mortgage Association</u>	<u>Totals</u>
AAA.....	\$ 3,177,012	\$ -	\$ -	\$ -	\$ 3,177,012
AA-AA+.....	-	1,460,542	1,475,266	1,963,494	4,899,302
Fair Value.....	\$ <u>3,177,012</u>	\$ <u>1,460,542</u>	\$ <u>1,475,266</u>	\$ <u>1,963,494</u>	\$ <u>8,076,314</u>

Fair Market Value of Investments

The Town holds investments that are measured at fair market value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following table presents financial assets at June 30, 2016, for which the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments Measured at Fair Value:</b>				
<u>Debt Securities:</u>				
United States Treasuries.....	\$ 3,177,012	\$ 3,177,012	\$ -	\$ -
Federal National Mortgage Association.....	1,460,542	1,460,542	-	-
Federal Home Loan Mortgage Corporation.....	1,475,266	1,475,266	-	-
Government National Mortgage Association....	1,963,494	1,963,494	-	-
Total debt securities.....	<u>8,076,314</u>	<u>8,076,314</u>	<u>-</u>	<u>-</u>
<u>Other investments:</u>				
Equity Securities.....	8,625,505	8,625,505	-	-
Mutual funds.....	11,193,067	11,193,067	-	-
Money Market Mutual Funds.....	2,710,200	2,710,200	-	-
Total other investments.....	<u>22,528,772</u>	<u>22,528,772</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value.....	<u>30,605,086</u>	<u>\$ 30,605,086</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments Measured at Amortized Cost:</b>				
MMDT.....	<u>3,623,305</u>			
Total investments.....	<u>\$ 34,228,391</u>			

United States treasuries, government sponsored enterprises, equity securities, mutual funds and money market mutual funds classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those equities.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

**NOTE 3 – RECEIVABLES**

At June 30, 2016, receivables for the individual major governmental funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 1,341,667	\$ -	\$ 1,341,667
Tax liens.....	841,576	-	841,576
Motor vehicle excise taxes.....	148,852	(43,000)	105,852
Departmental and other.....	441,668	(24,000)	417,668
Intergovernmental.....	3,758,083	-	3,758,083
 Total.....	 \$ 6,531,846	 \$ (67,000)	 \$ 6,464,846

At June 30, 2016, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 2,543,874	\$ -	\$ 2,543,874
Departmental and other.....	3,468	-	3,468
Intergovernmental.....	48,401	-	48,401
 Total.....	 \$ 2,595,743	 \$ -	 \$ 2,595,743

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

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>				
Real estate and personal property taxes....	\$ 1,323,869	\$ 17,798	\$ -	\$ 1,341,667
Tax liens .....	819,468	22,108	-	841,576
Motor vehicle excise taxes.....	105,852	-	-	105,852
Intergovernmental.....	2,500,387	-	358,476	2,858,863
Departmental and other.....	143,295	-	-	143,295
 Total.....	 \$ 4,892,871	 \$ 39,906	 \$ 358,476	 \$ 5,291,253

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Art.....	\$ 187,500	\$ -	\$ -	\$ 187,500
Land.....	19,446,166	-	-	19,446,166
Construction in progress.....	13,096,137	21,856,499	(2,017,845)	32,934,791
Total capital assets not being depreciated.....	<u>32,729,803</u>	<u>21,856,499</u>	<u>(2,017,845)</u>	<u>52,568,457</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	171,227,878	2,148,578	-	173,376,456
Machinery, equipment, and furnishings.....	16,878,046	1,157,565	(1,569,035)	16,466,576
Infrastructure.....	19,865,006	2,320,847	(701,358)	21,484,495
Total capital assets being depreciated.....	<u>207,970,930</u>	<u>5,626,990</u>	<u>(2,270,393)</u>	<u>211,327,527</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(49,316,569)	(5,573,716)	-	(54,890,285)
Machinery, equipment, and furnishings.....	(12,343,415)	(1,370,604)	1,569,035	(12,144,984)
Infrastructure.....	(8,596,535)	(606,422)	701,358	(8,501,599)
Total accumulated depreciation.....	<u>(70,256,519)</u>	<u>(7,550,742)</u>	<u>2,270,393</u>	<u>(75,536,868)</u>
Total capital assets being depreciated, net.....	<u>137,714,411</u>	<u>(1,923,752)</u>	<u>-</u>	<u>135,790,659</u>
Total governmental activities capital assets, net.....	<u>\$ 170,444,214</u>	<u>\$ 19,932,747</u>	<u>\$ (2,017,845)</u>	<u>\$ 188,359,116</u>
<b>Water Enterprise Fund:</b>				
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 128,482	\$ 31,095	\$ -	\$ 159,577
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	4,149,067	-	-	4,149,067
Machinery, equipment, and furnishings.....	178,769	-	-	178,769
Infrastructure.....	9,506,763	579,266	(1,819,939)	8,266,090
Total capital assets being depreciated.....	<u>13,834,599</u>	<u>579,266</u>	<u>(1,819,939)</u>	<u>12,593,926</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(1,072,047)	(95,327)	-	(1,167,374)
Machinery, equipment, and furnishings.....	(171,057)	(907)	-	(171,964)
Infrastructure.....	(5,713,374)	(174,332)	1,819,939	(4,067,767)
Total accumulated depreciation.....	<u>(6,956,478)</u>	<u>(270,566)</u>	<u>1,819,939</u>	<u>(5,407,105)</u>
Total capital assets being depreciated, net.....	<u>6,878,121</u>	<u>308,700</u>	<u>-</u>	<u>7,186,821</u>
Total water enterprise fund capital assets, net.....	<u>\$ 7,006,603</u>	<u>\$ 339,795</u>	<u>\$ -</u>	<u>\$ 7,346,398</u>

<b>Recreation Enterprise Fund:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 21,500	\$ 12,865	\$ -	\$ 34,365
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	1,118,835	-	-	1,118,835
Machinery, equipment, and furnishings.....	434,001	-	-	434,001
Total capital assets being depreciated.....	<u>1,552,836</u>	<u>-</u>	<u>-</u>	<u>1,552,836</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(594,782)	(27,373)	-	(622,155)
Machinery, equipment, and furnishings.....	(421,864)	(4,847)	-	(426,711)
Total accumulated depreciation.....	<u>(1,016,646)</u>	<u>(32,220)</u>	<u>-</u>	<u>(1,048,866)</u>
Total capital assets being depreciated, net.....	<u>536,190</u>	<u>(32,220)</u>	<u>-</u>	<u>503,970</u>
Total recreation enterprise fund capital assets, net.....	<u>\$ 557,690</u>	<u>\$ (19,355)</u>	<u>\$ -</u>	<u>\$ 538,335</u>
 <b>Brook School Apartment Enterprise Fund:</b>				
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 8,343,003	\$ 342,805	\$ -	\$ 8,685,808
Machinery, equipment, and furnishings.....	60,000	-	-	60,000
Total capital assets being depreciated.....	<u>8,403,003</u>	<u>342,805</u>	<u>-</u>	<u>8,745,808</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(2,065,420)	(226,160)	-	(2,291,580)
Machinery, equipment, and furnishings.....	(60,000)	-	-	(60,000)
Total accumulated depreciation.....	<u>(2,125,420)</u>	<u>(226,160)</u>	<u>-</u>	<u>(2,351,580)</u>
Total Brook School Apartment enterprise fund capital assets, net.....	<u>\$ 6,277,583</u>	<u>\$ 116,645</u>	<u>\$ -</u>	<u>\$ 6,394,228</u>

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

<b>Governmental Activities:</b>	
General government.....	\$ 838,180
Public safety.....	497,581
Education.....	4,971,390
Public works.....	1,053,318
Health & human services.....	78,543
Public library.....	<u>111,730</u>
Total depreciation expense - governmental activities.....	\$ <u>7,550,742</u>
<b>Business-Type Activities:</b>	
Water.....	\$ 270,566
Recreation.....	32,220
Brook School Apartments.....	<u>226,160</u>
Total depreciation expense - business-type activities.....	\$ <u>528,946</u>

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2016, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	Capital Projects	Water Enterprise Fund	Recreation Enterprise Fund	Brook School Apartments Fund	
General Fund.....	\$ -	\$ 74,200	\$ 56,500	\$ 485,521	\$ 3,003	\$ 619,224 (1)
Community Preservation.....	-	-	-	-	212,300	212,300 (1)
Nonmajor Governmental Funds.....	301,000	-	-	-	-	301,000 (2)
Water Enterprise Fund.....	317,833	-	-	-	-	317,833 (3)
Brook School Apartments Enterprise Fund.....	182,646	-	-	-	-	182,646 (3)
Total.....	\$ <u>801,479</u>	\$ <u>74,200</u>	\$ <u>56,500</u>	\$ <u>485,521</u>	\$ <u>215,303</u>	\$ <u>1,633,003</u>

- (1) Transfers of \$74,200 to the capital project fund for the BAN pay down; \$56,500 to the water enterprise fund for debt service; \$212,300 to the Brook School Apartments enterprise fund for debt service; and a \$479,150 subsidy to the recreation enterprise fund. Also included are transfers for merit pay of \$3,003 to the Brook School Apartments enterprise fund, and \$6,371 to the recreation enterprise fund.
- (2) Budgeted transfers to the general fund from cemetery perpetual care, well litigation, and the Josiah Smith tavern.
- (3) Budgeted transfers to the general fund from the water and Brook School Apartments enterprise funds for indirect costs.

**NOTE 6 – SHORT-TERM FINANCING**

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2016 is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2015	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2016
<b>Governmental Activities:</b>							
BAN	Bond Anticipation Note.....	0.39	8/5/2015	\$ 1,099,495	\$ -	\$ 1,099,495	\$ -
BAN	Bond Anticipation Note.....	1.25	2/3/2016	8,788,298	-	8,788,298	-
BAN	Bond Anticipation Note.....	0.50	2/3/2016	-	1,099,495	1,099,495	-
BAN	Bond Anticipation Note.....	2.00	2/3/2017	-	6,406,193	-	6,406,193
Total Governmental Activities.....				<u>\$ 9,887,793</u>	<u>\$ 7,505,688</u>	<u>\$ 10,987,288</u>	<u>\$ 6,406,193</u>
<b>Business-Type Activities:</b>							
<b>Water Enterprise Fund:</b>							
BAN	Bond Anticipation Note.....	1.25	2/3/2016	\$ 360,000	\$ -	\$ 360,000	\$ -
BAN	Bond Anticipation Note.....	2.00	2/3/2017	-	472,000	-	472,000
Total Business-Type Activities.....				<u>\$ 360,000</u>	<u>\$ 472,000</u>	<u>\$ 360,000</u>	<u>\$ 472,000</u>

**NOTE 7 – LONG-TERM DEBT**

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

Details related to the outstanding indebtedness at June 30, 2016 and the debt service requirements are shown as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Municipal Purpose Bonds of 2007.....	2027	\$ 6,840,000	3.50 - 4.00	\$ 3,865,000	\$ -	\$ (335,000)	\$ 3,530,000
Municipal Purpose Bonds of 2008.....	2016	2,906,000	3.00	192,000	-	(192,000)	-
Municipal Purpose Bonds of 2010.....	2026	4,666,569	2.64	1,999,000	-	(300,000)	1,699,000
Municipal Purpose Bonds of 2011.....	2030	18,792,271	2.00 - 5.00	12,839,600	-	(1,045,400)	11,794,200
Municipal Purpose Refunding Bonds of 2011.....	2021	2,761,000	2.00 - 2.50	1,460,000	-	(300,000)	1,160,000
Municipal Purpose Bonds of 2012.....	2028	1,974,332	2.00 - 2.63	1,465,000	-	(165,000)	1,300,000
Municipal Purpose Refunding Bonds of 2012.....	2028	3,165,000	2.00 - 5.00	1,942,000	-	(387,000)	1,555,000
Municipal Purpose Bonds of 2013.....	2038	18,661,334	1.00 - 4.00	17,129,000	-	(763,000)	16,366,000
Municipal Purpose Bonds of 2014.....	2039	5,000,000	2.00 - 5.00	4,800,000	-	(200,000)	4,600,000
Municipal Purpose Refunding Bonds of 2014.....	2026	13,580,000	2.00 - 5.00	11,778,600	-	(1,745,600)	10,033,000
Municipal Purpose Bonds of 2015.....	2040	22,354,000	2.50 - 5.00	22,354,000	-	(955,000)	21,399,000
Municipal Purpose Refunding Bonds of 2015.....	2025	890,000	2.50 - 5.00	890,000	-	(85,000)	805,000
Municipal Purpose Bonds of 2016.....	2036	4,302,400	2.00 - 5.00	-	4,302,400	-	4,302,400
Total governmental bonds payable.....				80,714,200	4,302,400	(6,473,000)	78,543,600
Add: Unamortized premium.....				3,280,336	389,358	(498,510)	3,171,184
Total governmental bonds payable, net.....				\$ 83,994,536	\$ 4,691,758	\$ (6,971,510)	\$ 81,714,784

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

Year	Principal	Interest	Total
2017.....\$	6,472,000 \$	2,737,455 \$	9,209,455
2018.....	6,390,500	2,499,773	8,890,273
2019.....	6,012,000	2,258,610	8,270,610
2020.....	5,852,400	2,034,392	7,886,792
2021.....	4,879,900	1,804,595	6,684,495
2022.....	4,540,300	1,605,362	6,145,662
2023.....	4,504,700	1,409,239	5,913,939
2024.....	4,498,400	1,232,857	5,731,257
2025.....	4,223,400	1,079,534	5,302,934
2026.....	3,743,000	945,570	4,688,570
2027.....	3,134,000	833,570	3,967,570
2028.....	2,834,000	749,778	3,583,778
2029.....	2,679,000	663,066	3,342,066
2030.....	2,200,000	579,162	2,779,162
2031.....	1,920,000	512,884	2,432,884
2032.....	1,920,000	459,150	2,379,150
2033.....	1,920,000	401,200	2,321,200
2034.....	1,845,000	342,600	2,187,600
2035.....	1,845,000	286,000	2,131,000
2036.....	1,845,000	229,150	2,074,150
2037.....	1,715,000	171,800	1,886,800
2038.....	1,715,000	117,312	1,832,312
2039.....	1,030,000	61,788	1,091,788
2040.....	825,000	26,812	851,812
Totals..... \$	<u>78,543,600</u> \$	<u>23,041,659</u> \$	<u>101,585,259</u>

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During 2016, approximately \$666,000 of such assistance was received. Approximately \$2,662,000 will be received in future years. Of this amount, approximately \$162,000 represents reimbursement of long-term interest costs, and approximately \$2,500,000 represents reimbursement of approved construction costs. Accordingly, a \$2,500,000 intergovernmental receivable and corresponding unavailable revenue have been reported in the governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In 2005 the Commonwealth enacted legislation that changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the Town. Through the end of 2016 the Town has recorded capital grant proceeds totaling \$7.7 million from the MSBA, which is equal to 34.5% of approved construction costs submitted for reimbursement for the Field School. The Town anticipates receiving \$84,000 in additional capital grant proceeds in 2017 for eligible costs incurred as of year-end. Accordingly, an \$84,000 intergovernmental receivable has been recorded at year-end.

**Bonds and Notes Payable Schedule – Water Enterprise Funds**

	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
<b>Water Projects</b>							
Municipal Purpose Bonds of 2007.....	2016	\$ 50,000	3.50 - 4.00	\$ 5,000	\$ -	\$ (5,000)	\$ -
Municipal Purpose Bonds of 2008.....	2016	142,000	3.00	2,000	-	(2,000)	-
Municipal Purpose Bonds of 2010.....	2026	919,422	2.64	411,000	-	(100,000)	311,000
Municipal Purpose Bonds of 2011.....	2030	2,985,000	2.00 - 5.00	2,306,400	-	(165,600)	2,140,800
Municipal Purpose Refunding Bonds of 2012.....	2021	115,000	2.00 - 2.63	73,000	-	(13,000)	60,000
Municipal Purpose Bonds of 2013.....	2033	432,000	1.00 - 4.00	376,000	-	(22,000)	354,000
Municipal Purpose Refunding Bonds of 2014.....	2017	141,000	2.00 - 5.00	86,000	-	(43,500)	42,500
MWRA Loan.....	2025	900,000	0.00	900,000	-	(90,000)	810,000
Municipal Purpose Bonds of 2015.....	2040	253,000	2.50 - 5.00	253,000	-	(12,000)	241,000
Municipal Purpose Bonds of 2016.....	2023	87,500	5.00	-	87,500	-	87,500
MWRA Loan.....	2021	105,000	0.00	-	105,000	-	105,000
Total water enterprise bonds payable.....				\$ 4,412,400	\$ 192,500	\$ (453,100)	\$ 4,151,800

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

Year	Principal	Interest	Total
2017.....	\$ 478,400	\$ 113,682	\$ 592,082
2018.....	434,400	102,994	537,394
2019.....	402,400	93,432	495,832
2020.....	336,400	84,570	420,970
2021.....	328,400	77,274	405,674
2022.....	296,200	69,616	365,816
2023.....	296,200	61,200	357,400
2024.....	282,200	53,608	335,808
2025.....	282,200	46,514	328,714
2026.....	192,000	39,414	231,414
2027.....	186,000	32,170	218,170
2028.....	186,000	24,674	210,674
2029.....	186,000	16,876	202,876
2030.....	105,000	9,058	114,058
2031.....	30,000	4,788	34,788
2032.....	30,000	3,988	33,988
2033.....	30,000	3,088	33,088
2034.....	10,000	2,188	12,188
2035.....	10,000	1,888	11,888
2036.....	10,000	1,588	11,588
2037.....	10,000	1,288	11,288
2038.....	10,000	976	10,976
2039.....	10,000	650	10,650
2040.....	10,000	324	10,324
Totals.....	\$ 4,151,800	\$ 845,848	\$ 4,997,648

**Bonds and Notes Payable Schedule – Brook School Apartments Enterprise Funds**

	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
<b>Brook School Apartments Projects</b>							
Municipal Purpose Bonds of 2008.....	2016	\$ 50,000	3.00	\$ 6,000	\$ -	\$ (6,000)	\$ -
Municipal Purpose Refunding Bonds of 2011.....	2016	141,000	2.00 - 5.00	14,000	-	(14,000)	-
Municipal Purpose Bonds of 2014.....	2034	1,375,000	2.00 - 5.00	1,305,000	-	(70,000)	1,235,000
Municipal Purpose Refunding Bonds of 2014.....	2023	1,199,000	2.00 - 5.00	1,065,400	-	(130,900)	934,500
Municipal Purpose Refunding Bonds of 2015.....	2017	410,000	2.50 - 5.00	410,000	-	(205,000)	205,000
Total Brook School Apartments enterprise bonds payable.....				2,800,400	-	(425,900)	2,374,500
Add: Unamortized premium.....				143,640	-	(31,160)	112,480
Total Brook School Apartments enterprise bonds payable, net.....				\$ 2,944,040	\$ -	\$ (457,060)	\$ 2,486,980

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

Year	Principal	Interest	Total
2017.....	\$ 405,500	\$ 98,288	\$ 503,788
2018.....	201,100	78,712	279,812
2019.....	201,600	69,358	270,958
2020.....	202,200	59,978	262,178
2021.....	202,700	50,568	253,268
2022.....	203,500	41,132	244,632
2023.....	204,100	32,358	236,458
2024.....	74,400	23,990	98,390
2025.....	74,400	22,020	96,420
2026.....	70,000	19,700	89,700
2027.....	70,000	17,600	87,600
2028.....	70,000	15,500	85,500
2029.....	70,000	13,400	83,400
2030.....	65,000	11,212	76,212
2031.....	65,000	9,100	74,100
2032.....	65,000	6,906	71,906
2033.....	65,000	4,632	69,632
2034.....	65,000	2,356	67,356
Totals.....	\$ 2,374,500	\$ 576,810	\$ 2,951,310

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2016, the Town had the following authorized and unissued debt:

Purpose	Amount
Field School replacement.....	\$ 9,800,000
Case Estates.....	7,535,000
Brook School Apartments.....	226,000
Sewer plans.....	30,000
Affordable housing.....	250,000
Wellesley Street pump station.....	92,000
School improvements.....	810,268
Drainage improvements.....	2,495,000
Water main improvements.....	612,000
Police station.....	1,942,000
Council on aging renovations.....	50,000
Cooks Pond dam.....	170,500
Proctor Field rehabilitation.....	325,000
<b>Total.....</b>	<b>\$ 24,337,768</b>

Changes in Long-term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Long-term bonds payable.....	\$ 80,714,200	\$ 4,302,400	\$ (6,473,000)	\$ 78,543,600	\$ 6,472,000
Add: unamortized premium.....	3,280,336	389,358	(498,510)	3,171,184	569,024
Total bonds payable.....	83,994,536	4,691,758	(6,971,510)	81,714,784	7,041,024
Landfill closure.....	125,000	-	(25,000)	100,000	25,000
Compensated absences.....	2,307,000	1,436,000	(1,284,000)	2,459,000	1,373,000
Other postemployment benefits.....	16,181,000	2,266,000	(1,133,000)	17,314,000	-
Net pension liability.....	53,727,067	3,796,336	-	57,523,403	-
Total governmental activity long-term liabilities.....	\$ 156,334,603	\$ 12,190,094	\$ (9,413,510)	\$ 159,111,187	\$ 8,439,024
<b>Business-Type Activities:</b>					
Bonds payable.....	\$ 7,212,800	\$ 192,500	\$ (879,000)	\$ 6,526,300	\$ 883,900
Add: unamortized premium.....	143,640	-	(31,160)	112,480	27,993
Total bonds payable.....	7,356,440	192,500	(910,160)	6,638,780	911,893
Compensated absences.....	146,000	102,000	(86,000)	162,000	96,000
Other postemployment benefits.....	343,000	50,000	(25,000)	368,000	-
Net pension liability.....	1,211,949	-	(56,673)	1,155,276	-
Total business-type activity long-term liabilities.....	\$ 9,057,389	\$ 344,500	\$ (1,077,833)	\$ 8,324,056	\$ 1,007,893

Long-term liabilities related to both governmental and business-type activities are normally paid from the general fund and the enterprise funds, respectively.

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town classifies fund balances according to the constraints imposed on the use of the resources.

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

In addition to the nonspendable fund balance, the Town classifies spendable fund balances based on a hierarchy of spending constraints as follows:

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

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. Additions to and withdrawals from the funds can only be made upon Town Meeting approval. In accordance with Massachusetts General Law the Town has established a general stabilization fund and a pension liability stabilization fund to assist the Town in funding it's liability for pension benefits.

At year end, the balance of the general stabilization fund is approximately \$3.1 million and the balance of the pension liability stabilization fund is approximately \$409,000. These stabilization funds are reported as unassigned fund balance within the general fund.

As of June 30, 2016, the governmental fund balances consisted of the following:

	General	Community Preservation Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES:</b>					
Nonspendable:					
Permanent fund principal.....\$	-	-	-	6,903,884	6,903,884
Restricted for:					
Community preservation.....	-	12,356,946	-	-	12,356,946
Capital projects.....	-	-	3,385,385	-	3,385,385
School lunch.....	-	-	-	334,149	334,149
School grants.....	-	-	-	958,122	958,122
School gifts.....	-	-	-	468,000	468,000
School revolving funds.....	-	-	-	426,973	426,973
Town grants.....	-	-	-	246,494	246,494
Town gifts.....	-	-	-	1,045,475	1,045,475
Receipts reserved for appropriation.....	-	-	-	480,683	480,683
Expendable trust funds.....	-	-	-	8,337,459	8,337,459
Committed to:					
General government.....	239,387	-	-	-	239,387
Facilities town-wide.....	346,347	-	-	-	346,347
Public safety.....	202,969	-	-	-	202,969
Education.....	131,871	-	-	-	131,871
Public works.....	1,621,245	-	-	-	1,621,245
Insurance.....	179,434	-	-	-	179,434
Fringe benefits.....	248,247	-	-	-	248,247
Assigned to:					
General government.....	87,430	-	-	-	87,430
Facilities town-wide.....	800	-	-	-	800
Finance.....	547	-	-	-	547
Planning, land use & inspectional services...	7,162	-	-	-	7,162
Public safety.....	16,625	-	-	-	16,625
Education.....	547,055	-	-	-	547,055
Public works.....	78,194	-	-	-	78,194
Health & human services.....	2,653	-	-	-	2,653
Public library.....	5,688	-	-	-	5,688
Free cash used in FY17.....	2,100,000	-	-	-	2,100,000
Unassigned.....	10,047,376	-	(5,448,750)	-	4,598,626
<b>TOTAL FUND BALANCES.....</b>	<b>\$ 15,863,030</b>	<b>\$ 12,356,946</b>	<b>\$ (2,063,365)</b>	<b>\$ 19,201,606</b>	<b>\$ 45,358,217</b>

**NOTE 9 – RISK FINANCING**

The Town is exposed to various risks of loss related to tort; theft of, damage to and the destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in premium-based health care and workers' compensation plans for its employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

**NOTE 10 – PENSION PLAN**

*Plan Descriptions*

The Town is a member of the Middlesex County Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 71 member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and

retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available, audited financial report. That report may be obtained by contacting the System located at 25 Linnell Circle, Billerica, Massachusetts 01821 or by visiting [www.mass.gov/perac](http://www.mass.gov/perac) or <http://www.middlesexretirement.org>.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

#### *Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2015. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$6,069,047 is reported in the general fund as intergovernmental revenue and employee benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$74,825,908 as of the measurement date.

#### *Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

There were no changes in pension benefit terms that effect measurement of the total pension liability as of December 31, 2015.

*Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2015 was \$4,270,242, 22.05% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

*Pension Liabilities*

At June 30, 2016, the Town reported a liability of \$58,678,679 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportion was 4.549%, which changed 0.025% from its proportion measured at December 31, 2014.

*Pension Expense*

For the year ended June 30, 2016, the Town recognized pension expense of \$5,643,466. At June 30, 2016, the Town reported deferred outflows of resources related to pensions of \$2,992,161, from the net difference between projected and actual investment earnings on pension plan investments. The Town reported deferred inflows of resources related to pensions of \$440,189, from the changes in proportion and differences between employer contributions and proportionate share of contributions. Since the system performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or a change of assumptions as of December 31, 2015.

*Actuarial Assumptions* - The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Prior year's total contribution increased by 6.5% for fiscal 2016 through fiscal 2020, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	As of July 1, 2014, 5 years remaining for 2002 ERI liability, 6 years remaining for 2003 ERI liability, 8 years remaining for 2010 ERI liability and 21 years for remaining unfunded liability.

Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the market value.
Inflation rate.....	4.00%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2, and 4.75% for Group 4 (previously, 4.75% for Group 1 and 5.25% for Group 4).
Cost of living adjustments.....	3.0% of the first \$14,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Employee Mortality Table projected 22 years with Scale AA.
Healthy Retiree.....	The RP-2000 Employee Mortality Table projected 17 years with Scale AA.
Disabled Retiree.....	The RP-2000 Healthy Annuitant Mortality Table set forward three years projected 17 years with Scale AA.
Investment rate of return/Discount rate.....	7.875%, net pension plan investment expense, including inflation (previously 8.0%).

The balances of deferred outflows and inflows at June 30, 2016 consist of the following:

<u>Deferred category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Difference between projected and actual investment earnings....	\$ 2,992,161	\$ -	\$ 2,992,161
Changes in proportionate share of contributions.....	<u>-</u>	<u>(440,189)</u>	<u>(440,189)</u>
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 2,992,161</u>	<u>\$ (440,189)</u>	<u>\$ 2,551,972</u>

The Town’s deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017.....	\$ 649,527
2018.....	649,527
2019.....	649,527
2020.....	<u>603,391</u>
Total.....	\$ <u>2,551,972</u>

*Investment policy* - The pension plan’s policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Asset Allocation</u>
Domestic equity.....	6.49%	19.60%
International developed markets equity.....	7.16%	15.60%
International emerging markets equity.....	9.46%	6.50%
Core fixed income.....	1.68%	15.30%
High-yield fixed income.....	4.76%	8.30%
Real estate.....	4.37%	9.90%
Commodities.....	4.13%	3.90%
Short-term government money market.....	1.11%	0.00%
Hedge fund, GTAA, Risk parity.....	3.60%	9.80%
Private equity.....	11.04%	11.10%

*Discount rate:* The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability, calculated using the discount rate of 7.875%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.875%) or 1-percentage-point higher (8.875%) than the current rate:

	<u>1% Decrease</u> <u>(6.875%)</u>	<u>Current</u> <u>Discount</u> <u>(7.875%)</u>	<u>1% Increase</u> <u>(8.875%)</u>
The Town's proportionate share of the net pension liability.....	\$ 70,462,026	\$ 58,678,679	\$ 48,644,341

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued Middlesex County Retirement System financial report.

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town of Weston administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides health, dental and life insurance for eligible retirees and their spouses through a single-employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

As of the most recent actuarial valuation, the Plan's membership consisted of the following:

Current retirees, beneficiaries, and dependents...	497
Current active members.....	<u>625</u>
Total.....	<u><u>1,122</u></u>

*Funding Policy* – The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes between 67 to 85 percent, depending on coverage selected, for eligible retired plan members. Plan members receiving benefits contribute the remaining 15 to 33 percent of their premium costs for health, life and dental insurance. The medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions.

The Commonwealth of Massachusetts passed legislation that enabled the Town to establish a postemployment benefit trust fund for the purpose of accumulating assets to pre-fund its OPEB liabilities. During 2016, the Town contributed \$1,606,925 to the fund and has accumulated \$11,223,287 in the OPEB Trust.

*Annual OPEB Cost and Net OPEB Obligation* – The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$	5,590,000
Interest on net OPEB obligation.....		992,000
Adjustments to annual required contribution.....		<u>(682,000)</u>
Annual OPEB cost (expense).....		5,900,000
Contributions made.....		<u>(4,742,000)</u>
Increase in net OPEB obligation.....		1,158,000
Net OPEB obligation - beginning of year.....		<u>16,524,000</u>
Net OPEB obligation - end of year.....	\$	<u><u>17,682,000</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 5,900,000	80.4%	\$ 17,682,000
6/30/2015	5,572,000	81.7%	16,524,000
6/30/2014	6,565,000	61.4%	15,504,000

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2014	\$ 7,625,925	\$ 74,974,967	\$ 67,349,042	10.17%	\$ 40,335,370	167.0%
7/1/2012	3,510,050	79,889,296	76,379,246	4.39%	41,413,928	184.4%
7/1/2010	107,153	69,781,850	69,674,697	0.15%	Not Available	N/A

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

presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2014, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 6.0% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 8.0% initially, graded to 5.0% over four years. The UAAL is being amortized over an open 30 year period, with amortization payments increasing at 4.5% per year. The remaining amortization period at July 1, 2014 is 30 years.

#### **NOTE 12 – LANDFILL CLOSURE**

State and federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town has reflected a \$100,000 post-closure care liability at June 30, 2016 as an obligation of governmental funds. This amount is based upon estimates of what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Its cost was estimated based on annual sampling for the current monitoring network at the site and estimated costs to maintain the integrity of the landfill cap during the post-closure period.

#### **NOTE 13 – COMMITMENTS AND CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2016, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

#### **NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 30, 2016, which is the date the financial statements were available to be issued.

**NOTE 15 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This pronouncement did not impact the basic financial statements.
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. The financial statements and related note disclosures were changed to reflect the implementation of this statement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.

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

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# ***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

The General Fund is the general operating fund of the Town. It is used to account for all of the Town's financial resources, except those required to be accounted for in another fund.

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 70,869,159	\$ 70,869,159	\$ 70,697,322	\$ -	\$ (171,837)
Tax liens.....	-	-	52,986	-	52,986
Motor vehicle excise taxes.....	2,300,000	2,300,000	2,982,398	-	682,398
Charges for services.....	360,000	360,000	342,217	-	(17,783)
Penalties and interest on taxes.....	150,000	150,000	142,891	-	(7,109)
Payments in lieu of taxes.....	35,897	35,897	89,222	-	53,325
Licenses and permits.....	1,000,000	1,000,000	1,328,945	-	328,945
Fines and forfeitures.....	110,000	110,000	101,366	-	(8,634)
Fees and rentals.....	265,000	265,000	325,760	-	60,760
Intergovernmental.....	4,103,360	4,103,360	4,098,803	-	(4,557)
Departmental and other.....	454,000	454,000	792,596	-	338,596
Investment income.....	60,000	60,000	56,302	-	(3,698)
<b>TOTAL REVENUES.....</b>	<b>79,707,416</b>	<b>79,707,416</b>	<b>81,010,808</b>	<b>-</b>	<b>1,303,392</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	2,997,904	2,900,922	1,800,386	326,817	773,719
Facilities town-wide.....	2,099,244	2,100,852	1,692,201	347,147	61,504
Finance.....	839,316	843,608	822,432	547	20,629
Planning, land use & inspectional services.....	753,465	785,423	761,992	7,162	16,269
Public safety.....	7,020,387	7,052,950	6,710,032	219,594	123,324
Education.....	38,746,117	38,812,692	37,263,677	678,926	870,089
Public works.....	5,470,235	5,609,410	3,652,667	1,699,439	257,304
Health & human services.....	721,068	727,872	689,736	2,653	35,483
Public Library.....	1,338,043	1,341,860	1,281,942	5,688	54,230
Insurance.....	917,212	917,211	657,642	179,434	80,135
Fringe benefits.....	16,770,268	16,678,568	16,376,219	248,247	54,102
State and county charges.....	277,595	277,595	292,242	-	(14,647)
Debt service:					
Principal.....	6,210,238	6,229,500	6,229,500	-	-
Interest.....	2,779,149	2,790,704	2,771,857	-	18,847
<b>TOTAL EXPENDITURES.....</b>	<b>86,940,241</b>	<b>87,069,167</b>	<b>81,002,525</b>	<b>3,715,654</b>	<b>2,350,988</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(7,232,825)</b>	<b>(7,361,751)</b>	<b>8,283</b>	<b>(3,715,654)</b>	<b>3,654,380</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Use of prior year fund balance reserve for articles and encumbrances.....	2,963,400	2,963,400	-	-	(2,963,400)
Use of prior year fund balance reserve for debt service....	409,596	409,596	-	-	(409,596)
Use of free cash.....	3,200,000	3,400,000	-	-	(3,400,000)
Use of overlay surplus.....	600,000	600,000	-	-	(600,000)
Premium from issuance of bonds and notes.....	-	-	389,358	-	389,358
Transfers in.....	801,479	801,479	801,479	-	-
Transfers out.....	(741,650)	(812,724)	(812,724)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>7,232,825</b>	<b>7,361,751</b>	<b>378,113</b>	<b>-</b>	<b>(6,983,638)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>386,396</b>	<b>(3,715,654)</b>	<b>(3,329,258)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>11,968,092</b>	<b>11,968,092</b>	<b>11,968,092</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 11,968,092</b>	<b>\$ 11,968,092</b>	<b>\$ 12,354,488</b>	<b>\$ (3,715,654)</b>	<b>\$ (3,329,258)</b>

See notes to required supplementary information.

# ***Pension Plan Schedules***

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of Special Funding Amounts of the Net Pension Liability related to the Teachers Retirement System presents trend information that discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town teachers; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015
Town's proportion of the net pension liability (asset).....	4.573%	4.549%
Town's proportionate share of the net pension liability (asset)..... \$	54,939,016	\$ 58,678,679
Town's covered employee payroll..... \$	18,621,858	\$ 19,366,732
Net pension liability as a percentage of covered-employee payroll.....	295.02%	302.99%
Plan fiduciary net position as a percentage of the total pension liability.....	47.65%	46.13%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS**  
**MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015
Actuarially determined contribution.....	\$ 4,139,155	\$ 4,270,242
Contributions in relation to the actuarially determined contribution.....	<u>(4,139,155)</u>	<u>(4,270,242)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 18,621,858	\$ 19,366,732
Contributions as a percentage of covered- employee payroll.....	22.23%	22.05%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS  
OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

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The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Net Pension Liability Associated with the Town	Town's Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2016.....	\$ 74,825,908	\$ 6,069,047	55.38%
2015.....	58,374,297	4,055,543	61.64%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

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

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

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

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

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2014	\$ 7,625,925	\$ 74,974,967	\$ 67,349,042	10.17%	\$ 40,335,370	167.0%
7/1/2012	3,510,050	79,889,296	76,379,246	4.39%	41,413,928	184.4%
7/1/2010	107,153	69,781,850	69,674,697	0.15%	Not Available	N/A

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2016	\$ 5,590,000	\$ 4,742,000	85%
2015	5,391,000	4,552,000	84%
2014	6,413,000	4,031,000	63%
2013	6,162,000	3,850,000	62%
2012	5,969,000	5,369,000	90%
2011	5,688,000	2,020,000	36%

See notes to required supplementary information.

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

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Actuarial Methods:

Valuation date.....	July 1, 2014
Actuarial cost method.....	Projected unit credit cost method
Amortization method.....	Amortization payments increasing at 4.5%
Remaining amortization period.....	30 years as of July 1, 2014, open

Actuarial Assumptions:

Investment rate of return.....	6.0% per annum
Medical/drug cost trend rate.....	8% initially, graded to 5% over 4 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	497
Current active members.....	<u>625</u>
Total.....	<u><u>1,122</u></u>

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting adopts the expenditure budget by majority vote.

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

The majority of the Town’s appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year.

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2016 budget includes approximately \$84.7 million in appropriations and other amounts to be raised and approximately \$3 million in encumbrances and appropriations carried over from previous years. During 2016, Town Meeting approved supplemental appropriations totaling \$200,000 for snow and ice control.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2016, is presented below:

Net change in fund balance, budgetary basis.....	\$ 386,396
<u>Perspective difference:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP.....	290,255
<u>Basis of accounting differences:</u>	
Net increase in revenues due to on-behalf payments.....	6,069,047
Net increase in recording expenditures due to on-behalf payments.....	<u>(6,069,047)</u>
Net change in fund balance, GAAP basis.....	<u>\$ 676,651</u>

### 3. Appropriation Deficits

Expenditures exceeded appropriations for state and county assessments. This is based on state assessments which are not required to be raised.

## **NOTE B – PENSION PLAN**

### ***Pension Plan Schedules***

#### A. Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

#### B. Schedule of Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

#### C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

#### D. Changes in Assumptions - None

#### E. Changes in Plan Provisions - None

## **NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

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

Prior to 2012, the Town funded its other postemployment benefits (OPEB) on a pay-as-you-go basis. In 2012, the Town began prefunding a portion of the liability in an irrevocable trust fund. The funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) was 10.17% as of the most recent actuarial valuation. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal

to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

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

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

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