

TOWN OF WEYMOUTH, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2013

Town of Weymouth, Massachusetts

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Weymouth, 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 Weymouth, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Weymouth, Massachusetts' basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Weymouth Contributory Retirement System (Pension Trust Fund) at December 31, 2012 and for the year then ended (a component unit of the Town of Weymouth, Massachusetts). Those statements and required supplementary information were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the Contributory Retirement System (Pension Trust Fund), is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to

obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Weymouth, Massachusetts, as of June 30, 2013, (except the Weymouth Contributory Retirement System which is as of December 31, 2012), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of manage-

ment about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson, Heath + Company P.C.

Andover, Massachusetts
December 12, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Weymouth, Massachusetts, we offer readers this narrative overview and analysis of the financial activities of the Town of Weymouth for the fiscal year ended June 30, 2013.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$104,738,503 (i.e., net position), a change of \$(4,494,850) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$25,149,684, a change of \$(285,808) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,689,706, a change of \$152,979 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$86,496,892, a change of \$(4,656,586) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 45,310	\$ 43,739	\$ 21,178	\$ 22,944	\$ 66,488	\$ 66,683
Capital assets	102,290	102,128	89,204	85,779	191,494	187,907
Deferred outflows	<u>227</u>	<u>256</u>	<u>138</u>	<u>166</u>	<u>365</u>	<u>422</u>
Total assets and deferred outflows	147,827	146,123	110,520	108,889	258,347	255,012
Long-term liabilities outstanding	83,153	74,194	53,116	56,287	136,269	130,481
Other liabilities	<u>12,921</u>	<u>11,547</u>	<u>4,419</u>	<u>3,751</u>	<u>17,340</u>	<u>15,298</u>
Total liabilities	96,074	85,741	57,535	60,038	153,609	145,779
Net position:						
Net investment in capital assets	73,455	72,118	35,614	30,413	109,069	102,531
Restricted	9,768	10,340	-	-	9,768	10,340
Unrestricted	<u>(31,470)</u>	<u>(22,076)</u>	<u>17,371</u>	<u>18,438</u>	<u>(14,099)</u>	<u>(3,638)</u>
Total net position	<u>\$ 51,753</u>	<u>\$ 60,382</u>	<u>\$ 52,985</u>	<u>\$ 48,851</u>	<u>\$ 104,738</u>	<u>\$ 109,233</u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 14,236	\$ 14,039	\$ 23,950	\$ 24,892	\$ 38,186	\$ 38,931
Operating grants and contributions	54,617	56,159	-	-	54,617	56,159
Capital grants and contributions	1,143	743	-	-	1,143	743
General revenues:						
Property taxes	82,567	80,811	-	-	82,567	80,811
Excises	5,523	4,908	-	-	5,523	4,908
Penalties and interest on taxes	1,283	1,517	-	-	1,283	1,517
Grants and contributions not restricted to specific programs	7,631	7,823	-	2	7,631	7,825
Investment income	97	147	6	33	103	180
Other	1,267	956	6	1	1,273	957
Total revenues	168,364	167,103	23,962	24,928	192,326	192,031
Expenses:						
General government	7,290	5,646	-	-	7,290	5,646
Public safety	18,337	17,499	-	-	18,337	17,499
Education	91,079	88,246	-	-	91,079	88,246
Public works	10,714	10,448	-	-	10,714	10,448
Human services	706	658	-	-	706	658
Culture and recreation	3,213	3,179	-	-	3,213	3,179
Employee benefits	43,089	42,477	-	-	43,089	42,477
Intergovernmental	2,507	2,381	-	-	2,507	2,381
Interest on long-term debt	763	1,475	-	-	763	1,475
Water	-	-	5,859	5,297	5,859	5,297
Sewer	-	-	12,564	12,496	12,564	12,496
Total expenses	177,698	172,009	18,423	17,793	196,121	189,802
Change in net position before transfers	(9,334)	(4,906)	5,539	7,135	(3,795)	2,229
Transfers in (out)	705	1,636	(1,405)	(2,636)	(700)	(1,000)
Change in net position	(8,629)	(3,270)	4,134	4,499	(4,495)	1,229
Net position - beginning of year	60,382	63,652	48,851	44,352	109,233	108,004
Net position - end of year	\$ 51,753	\$ 60,382	\$ 52,985	\$ 48,851	\$ 104,738	\$ 109,233

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$104,738,503, a change of \$(4,494,850) from the prior year.

The largest portion of net position \$109,069,982 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is

reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$9,767,828 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit balance of \$(14,099,307) caused primarily by unfunded employee post-employment benefits (see Note 21).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(8,628,655). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 848,003
Nonmajor funds - accrual basis	610,413
Depreciation expense in excess of principal debt service	(994,491)
Accrued other post-employment benefits	(10,643,845)
Other GAAP accruals	<u>1,551,265</u>
Total	<u><u>\$ (8,628,655)</u></u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$4,133,805. Key elements of this change are as follows:

Water operations	\$ 3,144,704
Sewer operations	<u>989,101</u>
Total	<u><u>\$ 4,133,805</u></u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$25,149,684, a change of \$(285,808) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 848,003
Nonmajor fund operating results	<u>(1,133,811)</u>
Total	<u>\$ (285,808)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,689,706, while total fund balance was \$13,412,502. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 5,689,706	\$ 5,536,727	\$ 152,979	4%
Total fund balance	\$ 13,412,502	\$ 12,564,499	\$ 848,003	9%

¹ These figures have been adjusted to include general stabilization funds

The total fund balance of the general fund changed by \$848,003 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (3,099,175)
Revenues in excess of budget	2,215,267
Expenditures less than budget	2,023,792
Tax collections shortfall	(347,733)
Prior year encumbrances to be spent in the current year, over current year encumbrances to be spent in subsequent year	(130,474)
Change in stabilization	36,010
Other	<u>150,316</u>
Total	<u>\$ 848,003</u>

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

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
General stabilization	\$ 1,153,186	\$ 1,157,185	\$ (3,999)
Special purpose stabilization	<u>1,829,180</u>	<u>1,789,171</u>	<u>40,009</u>
Total	<u>\$ 2,982,366</u>	<u>\$ 2,946,356</u>	<u>\$ 36,010</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$17,370,592, a change of \$(1,067,369) in comparison to the prior year.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$3,632,440. This increase was funded by the use of free cash. Major reasons for these amendments include:

- \$(4,285) reduction in general government appropriations
- \$51,104 increase in public safety appropriations
- \$186,991 increase in education appropriations
- \$69,999 increase in public works appropriations
- \$97,265 increase in culture and recreation appropriations
- \$164,000 increase in employee benefits appropriations
- \$3,067,366 increase in transfers to other funds

Of this increase, \$3,099,175 was funded from free cash and \$533,265 from inter-governmental revenue.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$191,493,661 (net of accumulated depreciation), a change of \$3,586,213 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

- \$1,060,314 improvements to roadways using Chapter 90 funds
- \$1,385,649 relating to the sewer fund Montcalm interceptor project

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$86,496,892, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Town Auditor
Town of Weymouth
75 Middle Street
Weymouth, Massachusetts 02189

TOWN OF WEYMOUTH, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 32,017,275	\$ 13,893,709	\$ 45,910,984
Investments	1,153,186	-	1,153,186
Receivables, net of allowance for uncollectibles:			
Property taxes	2,929,220	-	2,929,220
Excises	617,225	-	617,225
User fees	-	7,195,996	7,195,996
Departmental and other	875,824	-	875,824
Intergovernmental	4,296,662	13,688	4,310,350
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	3,422,103	-	3,422,103
Intergovernmental	-	74,920	74,920
Capital Assets:			
Land and construction in progress	19,947,943	52,580,388	72,528,331
Other assets, net of accumulated depreciation	82,341,831	36,623,499	118,965,330
DEFERRED OUTFLOWS OF RESOURCES	<u>226,599</u>	<u>137,704</u>	<u>364,303</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	147,827,868	110,519,904	258,347,772
LIABILITIES			
Current:			
Warrants payable	2,301,915	-	2,301,915
Accrued liabilities	5,754,390	525,364	6,279,754
Tax refunds payable	866,674	-	866,674
Current portion of long-term liabilities:			
Bonds payable	3,660,115	3,879,364	7,539,479
Compensated absence	107,019	4,115	111,134
Landfill	10,000	-	10,000
Capital lease	95,190	-	95,190
Unamortized bond premium	126,160	9,371	135,531
Noncurrent:			
Bonds payable, net of current portion	27,509,090	51,448,323	78,957,413
Compensated absence, net of current portion	2,033,370	78,196	2,111,566
Landfill, net of current portion	160,000	-	160,000
Unamortized bond premium, net of current portion	1,130,871	118,460	1,249,331
Accrued other post employment benefits	<u>52,319,679</u>	<u>1,471,603</u>	<u>53,791,282</u>
TOTAL LIABILITIES	96,074,473	57,534,796	153,609,269
NET ASSETS			
Invested in capital assets, net of related debt	73,455,466	35,614,516	109,069,982
Restricted for:			
Grants and other statutory restrictions	9,323,726	-	9,323,726
Permanent funds:			
Nonexpendable	142,720	-	142,720
Expendable	301,382	-	301,382
Unrestricted	<u>(31,469,899)</u>	<u>17,370,592</u>	<u>(14,099,307)</u>
TOTAL NET ASSETS	<u>\$ 51,753,395</u>	<u>\$ 52,985,108</u>	<u>\$ 104,738,503</u>

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

TOWN OF WEYMOUTH, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-	Total
	<u>Expenses</u>	<u>Services</u>	<u>Grants and Contributions</u>	<u>Grants and Contributions</u>	<u>Activities</u>	<u>Type Activities</u>	
Governmental Activities:							
General government	\$ 7,289,988	\$ 5,373,431	\$ 600,349	\$ -	\$ (1,316,208)	\$ -	\$ (1,316,208)
Public safety	18,337,050	1,233,997	588,746	-	(16,514,307)	-	(16,514,307)
Education	91,078,836	5,132,445	52,905,823	-	(33,040,568)	-	(33,040,568)
Public works	10,713,568	1,867,233	-	1,143,074	(7,703,261)	-	(7,703,261)
Health and human services	706,286	90,627	295,141	-	(320,518)	-	(320,518)
Culture and recreation	3,212,852	537,840	226,877	-	(2,448,135)	-	(2,448,135)
Employee benefits	43,089,040	-	-	-	(43,089,040)	-	(43,089,040)
Interest	762,570	-	-	-	(762,570)	-	(762,570)
Intergovernmental	2,507,411	-	-	-	(2,507,411)	-	(2,507,411)
Total Governmental Activities	177,697,601	14,235,573	54,616,936	1,143,074	(107,702,018)	-	(107,702,018)
Business-Type Activities:							
Water	5,859,097	9,701,738	-	-	-	3,842,641	3,842,641
Sewer	12,564,327	14,248,305	-	-	-	1,683,978	1,683,978
Total Business Activities	18,423,424	23,950,043	-	-	-	5,526,619	5,526,619
Total	\$ 196,121,025	\$ 38,185,616	\$ 54,616,936	\$ 1,143,074	(107,702,018)	5,526,619	(102,175,399)
General Revenues and Transfers:							
Property taxes					82,565,707	-	82,565,707
Excises					5,522,923	-	5,522,923
Penalties, interest and other taxes					1,283,170	-	1,283,170
Grants and contributions not restricted to specific programs					7,631,275	-	7,631,275
Investment income					96,918	6,125	103,043
Miscellaneous					1,268,767	5,664	1,274,431
Transfers, net					704,603	(1,404,603)	(700,000)
Total general revenues and transfers					99,073,363	(1,392,814)	97,680,549
Change in Net Position					(8,628,655)	4,133,805	(4,494,850)
Net Position:							
Beginning of year					60,382,050	48,851,303	109,233,353
End of year					\$ 51,753,395	\$ 52,985,108	\$ 104,738,503

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

TOWN OF WEYMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and short-term investments	\$ 20,280,093	\$ 11,737,182	\$ 32,017,275
Investments	1,153,186	-	1,153,186
Receivables:			
Property taxes	7,489,891	-	7,489,891
Excises	1,270,183	-	1,270,183
Departmental and other	311,590	564,234	875,824
Intergovernmental	<u>2,417,860</u>	<u>1,878,802</u>	<u>4,296,662</u>
TOTAL ASSETS	<u>\$ 32,922,803</u>	<u>\$ 14,180,218</u>	<u>\$ 47,103,021</u>
LIABILITIES			
Warrants payable	\$ 2,301,915	\$ -	\$ 2,301,915
Accrued liabilities	5,527,318	-	5,527,318
Tax refunds payable	<u>866,674</u>	<u>-</u>	<u>866,674</u>
TOTAL LIABILITIES	8,695,907	-	8,695,907
DEFERRED INFLOWS OF RESOURCES	10,814,394	2,443,036	13,257,430
FUND BALANCES			
Nonspendable	-	142,720	142,720
Restricted	799,677	10,686,087	11,485,764
Committed	4,312,331	1,912,986	6,225,317
Assigned	2,610,788	-	2,610,788
Unassigned	<u>5,689,706</u>	<u>(1,004,611)</u>	<u>4,685,095</u>
TOTAL FUND BALANCES	<u>13,412,502</u>	<u>11,737,182</u>	<u>25,149,684</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 32,922,803</u>	<u>\$ 14,180,218</u>	<u>\$ 47,103,021</u>

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

TOWN OF WEYMOUTH, MASSACHUSETTS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2013

Total governmental fund balances	\$ 25,149,684
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	102,289,774
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	11,465,904
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(227,072)
• Long-term liabilities, including bonds payable, compensated absences, and landfill liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(86,924,895)</u>
Net position of governmental activities	\$ <u>51,753,395</u>

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

TOWN OF WEYMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 81,827,100	\$ 563,744	\$ 82,390,844
Excises	5,490,656	-	5,490,656
Penalties, interest, and other taxes	1,283,170	163,608	1,446,778
Charges for services	4,844,068	7,285,021	12,129,089
Intergovernmental	55,032,519	7,359,337	62,391,856
Licenses and permits	1,392,687	-	1,392,687
Fines and forfeitures	231,922	-	231,922
Investment income	82,577	14,341	96,918
Miscellaneous	<u>1,255,628</u>	<u>1,040,458</u>	<u>2,296,086</u>
Total Revenues	151,440,327	16,426,509	167,866,836
Expenditures:			
Current:			
General government	5,708,400	2,080,922	7,789,322
Public safety	18,198,789	704,398	18,903,187
Education	78,073,377	11,562,042	89,635,419
Public works	9,644,749	1,114,373	10,759,122
Health and human services	396,311	312,090	708,401
Culture and recreation	2,307,428	1,104,582	3,412,010
Employee benefits	32,441,444	-	32,441,444
Debt service	4,815,930	-	4,815,930
Intergovernmental	<u>2,507,411</u>	<u>-</u>	<u>2,507,411</u>
Total Expenditures	<u>154,093,839</u>	<u>16,878,407</u>	<u>170,972,246</u>
Excess (deficiency) of revenues over expenditures	(2,653,512)	(451,898)	(3,105,410)
Other Financing Sources (Uses):			
Proceeds of bonds	-	2,115,000	2,115,000
Transfers in	4,861,515	10,000	4,871,515
Transfers out	<u>(1,360,000)</u>	<u>(2,806,913)</u>	<u>(4,166,913)</u>
Total Other Financing Sources (Uses)	<u>3,501,515</u>	<u>(681,913)</u>	<u>2,819,602</u>
Change in fund balance	848,003	(1,133,811)	(285,808)
Fund Equity, at Beginning of Year	<u>12,564,499</u>	<u>12,870,993</u>	<u>25,435,492</u>
Fund Equity, at End of Year	<u>\$ 13,412,502</u>	<u>\$ 11,737,182</u>	<u>\$ 25,149,684</u>

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

TOWN OF WEYMOUTH, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances - total governmental funds	\$ (285,808)																												
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital additions</td><td>5,112,685</td></tr> <tr> <td>Depreciation</td><td>(4,921,492)</td></tr> <tr> <td>Loss on disposition of assets</td><td>(29,982)</td></tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td><td>593,630</td></tr> </table> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Issuance of long term debt</td><td>(2,115,000)</td></tr> <tr> <td>Issuance of bond premium</td><td>(432,684)</td></tr> <tr> <td>Amortization of refunding</td><td>(28,998)</td></tr> <tr> <td>Amortization of bond premium</td><td>90,103</td></tr> <tr> <td>Repayments of debt</td><td>3,927,001</td></tr> <tr> <td>Repayments of capital lease</td><td>90,761</td></tr> </table> In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table> <tr> <td></td><td>116,226</td></tr> </table> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td>Compensated absences</td><td>(111,252)</td></tr> <tr> <td>Landfill liability</td><td>10,000</td></tr> <tr> <td>Accrued other post employment benefits</td><td><u>(10,643,845)</u></td></tr> </table> 	Capital additions	5,112,685	Depreciation	(4,921,492)	Loss on disposition of assets	(29,982)		593,630	Issuance of long term debt	(2,115,000)	Issuance of bond premium	(432,684)	Amortization of refunding	(28,998)	Amortization of bond premium	90,103	Repayments of debt	3,927,001	Repayments of capital lease	90,761		116,226	Compensated absences	(111,252)	Landfill liability	10,000	Accrued other post employment benefits	<u>(10,643,845)</u>	
Capital additions	5,112,685																												
Depreciation	(4,921,492)																												
Loss on disposition of assets	(29,982)																												
	593,630																												
Issuance of long term debt	(2,115,000)																												
Issuance of bond premium	(432,684)																												
Amortization of refunding	(28,998)																												
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Repayments of debt	3,927,001																												
Repayments of capital lease	90,761																												
	116,226																												
Compensated absences	(111,252)																												
Landfill liability	10,000																												
Accrued other post employment benefits	<u>(10,643,845)</u>																												
Change in net position of governmental activities	\$ <u>(8,628,655)</u>																												

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

TOWN OF WEYMOUTH, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 82,174,833	\$ 82,174,833	\$ 82,174,833	\$ -
Excise taxes	5,020,000	5,020,000	5,490,656	470,656
Interest, penalties, and other taxes	1,071,000	1,071,000	1,283,170	212,170
Licenses and permits	1,109,700	1,059,700	1,392,687	332,987
Intergovernmental	34,841,625	35,374,890	35,384,874	9,984
Charges for services	214,527	314,527	988,366	673,839
Investment income	160,000	110,000	82,715	(27,285)
Fines and forfeitures	217,000	217,000	231,922	14,922
Other revenues	602,500	602,500	1,255,628	653,128
Other financing sources:				
Transfers in	9,008,086	9,008,086	8,882,952	(125,134)
Use of fund balance	-	3,099,175	3,099,175	-
Total Revenues	134,419,271	138,051,711	140,266,978	2,215,267
Expenditures and other uses:				
Current:				
General government	5,922,877	5,918,592	5,293,608	624,984
Public safety	17,753,065	17,804,169	17,633,606	170,563
Education	56,790,816	56,977,807	56,921,374	56,433
Public works	9,327,751	9,397,750	8,996,854	400,896
Health and human services	451,274	451,274	400,909	50,365
Culture and recreation	2,238,566	2,335,831	2,300,216	35,615
Employee benefits	28,999,725	29,163,725	28,359,208	804,517
Intergovernmental	2,517,747	2,517,747	2,507,411	10,336
Debt service	9,757,450	9,757,450	9,487,367	270,083
Other financing uses:				
Transfers out	660,000	3,727,366	4,127,366	(400,000)
Total Expenditures	134,419,271	138,051,711	136,027,919	2,023,792
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 4,239,059	\$ 4,239,059

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

TOWN OF WEYMOUTH, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION.

JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 7,770,789	\$ 6,122,920	\$ 13,893,709
User fees, net of allowance for uncollectibles	2,779,663	4,416,333	7,195,996
Intergovernmental receivables	5,213	8,475	13,688
Total current assets	10,555,665	10,547,728	21,103,393
Noncurrent:			
Intergovernmental receivables, net of current portion	47,600	27,320	74,920
Capital assets:			
Land and construction in progress	48,245,000	4,335,388	52,580,388
Other capital assets, net of accumulated depreciation	14,404,230	22,219,269	36,623,499
Total noncurrent assets	62,696,830	26,581,977	89,278,807
DEFERRED OUTFLOWS OF RESOURCES	77,110	60,594	137,704
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	73,329,605	37,190,299	110,519,904
LIABILITIES			
Current:			
Accrued liabilities	434,246	91,118	525,364
Current portion of long-term liabilities:			
Bonds payable	2,623,946	1,255,418	3,879,364
Compensated absences	2,736	1,379	4,115
Unamortized bond premium	3,514	5,857	9,371
Total current liabilities	3,064,442	1,353,772	4,418,214
Noncurrent:			
Bonds payable, net of current portion	40,400,944	11,047,379	51,448,323
Compensated absences, net of current portion	51,993	26,203	78,196
Unamortized bond premium, net of current portion	54,060	64,400	118,460
Accrued other post employment benefits	1,161,702	309,901	1,471,603
Total noncurrent liabilities	41,668,699	11,447,883	53,116,582
TOTAL LIABILITIES	44,733,141	12,801,655	57,534,796
NET POSITION			
Net investment in capital assets	20,148,261	15,466,255	35,614,516
Unrestricted	8,448,203	8,922,389	17,370,592
TOTAL NET POSITION	\$ 28,596,464	\$ 24,388,644	\$ 52,985,108

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

TOWN OF WEYMOUTH, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 9,701,738	\$ 14,248,305	\$ 23,950,043
Other	<u>5,664</u>	<u>-</u>	<u>5,664</u>
Total Operating Revenues	9,707,402	14,248,305	23,955,707
Operating Expenses:			
Operating expenses	3,829,801	1,163,797	4,993,598
Depreciation	961,228	946,016	1,907,244
Intergovernmental assessments	<u>-</u>	<u>10,131,271</u>	<u>10,131,271</u>
Total Operating Expenses	<u>4,791,029</u>	<u>12,241,084</u>	<u>17,032,113</u>
Operating Income (Loss)	4,916,373	2,007,221	6,923,594
Nonoperating Revenues (Expenses):			
Investment income	3,947	2,178	6,125
Interest expense	<u>(1,068,068)</u>	<u>(323,243)</u>	<u>(1,391,311)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(1,064,121)</u>	<u>(321,065)</u>	<u>(1,385,186)</u>
Income (Loss) Before Transfers	3,852,252	1,686,156	5,538,408
Transfers:			
Transfers in	674,284	160,373	834,657
Transfers out	<u>(1,381,832)</u>	<u>(857,428)</u>	<u>(2,239,260)</u>
Change in Net Position	3,144,704	989,101	4,133,805
Net Position at Beginning of Year	<u>25,451,760</u>	<u>23,399,543</u>	<u>48,851,303</u>
Net Position at End of Year	<u>\$ 28,596,464</u>	<u>\$ 24,388,644</u>	<u>\$ 52,985,108</u>

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

TOWN OF WEYMOUTH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 11,385,367	\$ 14,191,344	\$ 25,576,711
Payments to vendors and employees	(3,452,118)	(1,175,353)	(4,627,471)
Payments to other governments	-	(10,131,271)	(10,131,271)
Net Cash Provided By Operating Activities	7,933,249	2,884,720	10,817,969
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers in	674,284	160,373	834,657
Transfers out	(1,381,832)	(857,428)	(2,239,260)
Net Cash (Used For) Noncapital Financing Activities	(707,548)	(697,055)	(1,404,603)
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Proceeds from issuance of bonds and notes	-	2,200,000	2,200,000
Acquisition and construction of capital assets	(2,605,594)	(2,726,652)	(5,332,246)
Principal payments on bonds and notes	(3,915,013)	(1,129,572)	(5,044,585)
Interest expense	(1,071,628)	(316,899)	(1,388,527)
Net Cash (Used For) Capital and Related Financing Activities	(7,592,235)	(1,973,123)	(9,565,358)
<u>Cash Flows From Investing Activities:</u>			
Investment income	3,947	2,178	6,125
Net Cash Provided By Investing Activities	3,947	2,178	6,125
Net Change in Cash and Short-Term Investments	(362,587)	216,720	(145,867)
Cash and Short-Term Investments, Beginning of Year	8,133,376	5,906,200	14,039,576
Cash and Short-Term Investments, End of Year	\$ 7,770,789	\$ 6,122,920	\$ 13,893,709
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ 4,916,373	\$ 2,007,221	\$ 6,923,594
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	961,228	946,016	1,907,244
Changes in assets and liabilities:			
User fees	3,807	(65,013)	(61,206)
Due from other governments	1,674,158	8,052	1,682,210
Accrued liabilities	129,398	(49,932)	79,466
Compensated absences	5,120	(9,326)	(4,206)
Accrued other post-employment	243,165	47,702	290,867
Net Cash Provided By Operating Activities	\$ 7,933,249	\$ 2,884,720	\$ 10,817,969

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

TOWN OF WEYMOUTH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Pension Trust Fund (As of <u>December 31, 2012</u>)	Private Purpose Trust <u>Funds</u>	Other Post-Employment Benefits Trust <u>Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 2,280,144	\$ 1,143,135	\$ 400,000	\$ 449,465
Investments	140,823,573	-	1,342,866	-
Accounts receivable	983,782	-	-	655,954
Due from other funds	54,580	-	-	-
Other assets	<u>3,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	144,145,179	1,143,135	1,742,866	1,105,419
<u>LIABILITIES AND NET POSITION</u>				
Accounts payable	194,095	-	-	689,738
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,681</u>
Total Liabilities	<u>194,095</u>	<u>-</u>	<u>-</u>	<u>1,105,419</u>
<u>NET POSITION</u>				
Total net position held in trust	\$ <u><u>143,951,084</u></u>	\$ <u><u>1,143,135</u></u>	\$ <u><u>1,742,866</u></u>	\$ <u><u>-</u></u>

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

TOWN OF WEYMOUTH, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Pension Trust Fund (For the Year Ended December 31, 2012)	Private Purpose Trust Funds	Other Post-Employment Benefits Trust Fund
Additions:			
Contributions:			
Employer	\$ 8,700,160	\$ -	\$ -
Plan members	3,224,770	-	-
Other systems and Commonwealth of Massachusetts	1,464,390	-	-
Private donations	-	32,625	-
Transfers in	-	-	700,000
Total contributions	13,389,320	32,625	700,000
Investment Income:			
Net change in fair value of investment	16,715,688	-	39,839
Interest income	2,465,081	23,315	-
Interest not refunded	2,872	-	-
Miscellaneous	17,867	-	-
Total Investment income	19,201,508	23,315	39,839
Less: investment expense	(943,010)	-	-
Total additions	31,647,818	55,940	739,839
Deductions:			
Administration	430,751	-	-
Transfers to other systems	277,822	-	-
Retirements benefits and refunds	15,897,998	-	-
Education	-	62,632	-
Total deductions	16,606,571	62,632	-
Net increase (decrease)	15,041,247	(6,692)	739,839
Net position:			
Beginning of year	128,909,837	1,149,827	1,003,027
End of year	\$ 143,951,084	\$ 1,143,135	\$ 1,742,866

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

TOWN OF WEYMOUTH, MASSACHUSETTS

Notes to Financial Statements

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected Town Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

Blended Component Units - Blended component units are entities that are legally separate, but are so related that they are, in substance, the same as the primary government, providing services entirely or almost entirely for the benefit of the primary government. The following component unit is blended within the primary government:

In the Fiduciary Funds: The Weymouth Contributory Retirement System was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 807 Broad Street, Weymouth, MA 02189.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or

applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

tures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

- Water enterprise fund
- Sewer enterprise fund

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

The *other post-employment benefits trust fund* is used to account for assets that are dedicated to providing benefits to retirees. These funds reduce the unfunded actuarial liability of healthcare and other post-employment benefits. Contributions to this fund are irrevocable.

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

D. Cash and Short-Term Investments

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

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

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

E. Investments

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

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

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2013 tax levy reflected an excess capacity of \$99.

G. Capital Assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	30 - 50
Building improvements	20 - 50
Machinery, equipment and other	20 - 50
Infrastructure	3 - 20

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Equity

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

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

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

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

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

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

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by the Town Council (the "Council"). The Mayor's Office presents an annual budget to the Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Council, which has full authority to decrease and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Council and Mayoral approval via a supplemental appropriations or reappropriation. Additionally, department heads whose appropriations are reduced must approve the transfers.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are added as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) 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 two-thirds majority vote of the Council.

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting and reporting system. Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 151,440,327	\$ 154,093,839
Other financing sources/uses (GAAP basis)	<u>4,861,515</u>	<u>1,360,000</u>
Subtotal (GAAP Basis)	156,301,842	155,453,839
Adjust tax revenue to accrual basis	347,733	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,229,730)
Add end-of-year appropriation carryforwards from expenditures	-	1,099,256
To record use of free cash	3,099,175	-
Other reclassifications	352,485	546,539
To remove unbudgeted stabilization fund	(201,612)	(165,602)
To reverse the effect of non-budgeted State contributions for teachers retirement	(19,632,645)	(19,632,645)
Other timing differences	<u>-</u>	<u>(43,738)</u>
Budgetary basis	<u>\$ 140,266,978</u>	<u>\$ 136,027,919</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2013:

FEMA Emergency Management Grant	\$ (19,383)
Drug free community act	(227)
Chapter 90	<u>(985,001)</u>
	<u>\$ (1,004,611)</u>

The deficits in these funds will be eliminated through future departmental and intergovernmental revenues.

3. Cash and Short-Term Investments

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's and Contributory Retirement System's (the System) deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2013 and December 31, 2012, \$5,534,727 and \$2,213,271 of the Town's and System's bank balances of \$49,438,375 and \$2,463,271, respectively, were exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

Town

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term invest-

ments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u> <u>Aaa</u>
U.S. Treasury notes	\$ 402	N/A	\$ -	\$ 402
Mutual funds	1,489	N/A	1,489	-
Federal agency securities	<u>605</u>	N/A	<u>-</u>	<u>605</u>
Total investments	<u>\$ 2,496</u>		<u>\$ 1,489</u>	<u>\$ 1,007</u>

B. Custodial Credit Risk

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

All of the Town's investments of \$2,496,052 are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the counterparty to these securities. The Town manages this custodial credit risk with SIPC, excess SIPC, and by maintaining investments in the Town's name.

C. Concentration of Credit Risk

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

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Federal National Mortgage Association	\$ 292,609	12%
Federal Home Loan Mortgage Corp.	<u>312,751</u>	13%
Total	<u>\$ 605,360</u>	

D. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>N/A</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>		
Debt Related Securities:						
U.S. Treasury notes	\$ 402	\$ 152	\$ 250	\$ -	\$ -	
Mutual funds	1,489	-	-	-		1,489
Federal agency securities	<u>605</u>	<u>25</u>	<u>386</u>	<u>194</u>		<u>-</u>
Total	<u>\$ 2,496</u>	<u>\$ 177</u>	<u>\$ 636</u>	<u>\$ 194</u>	<u>\$ 1,489</u>	

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

Contributory Retirement System

The investments of the Contributory Retirement System are valued at fair value. All investments are uninsured and unregistered and are held in custodial accounts on behalf of the Town of Weymouth's Contributory Retirement System.

All investments other than the private equity fund have a maturity date of less than one year. The Private Equity matures in more than ten years. Investments as of December 2012 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Domestic Equity	\$ 31,791,132	\$ 54,976,848
International Equity	27,754,986	31,093,566
Fixed Income	23,634,083	25,521,789
Real Estate	12,626,243	14,272,879
Absolute	8,394,985	9,004,775
Private Equity	<u>2,972,018</u>	<u>5,953,717</u>
	<u>\$ 107,173,447</u>	<u>\$ 140,823,574</u>

5. Taxes Receivable

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

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

Taxes receivable at June 30, 2013 consist of the following (in thousands):

Real Estate		
2013	\$ 2,016	
2012	696	
2011	179	
2010	(21)	
2009	(21)	
Prior	<u>16</u>	
		2,865
Personal Property		
2013	51	
2012	28	
2011	20	
2010	27	
2009	22	
Prior	<u>406</u>	
		554
Tax Liens		3,602
Deferred Taxes		<u>469</u>
Total		<u>\$ 7,490</u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Property taxes	\$ 1,139
Excises	\$ 653

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

8. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 116,790	\$ 5,257	\$ -	\$ 122,047
Machinery, equipment, and furnishings	24,330	1,344	(519)	25,155
Infrastructure	36,088	1,109	-	37,197
Total capital assets, being depreciated	177,208	7,710	(519)	184,399
Less accumulated depreciation for:				
Buildings and improvements	(54,364)	(2,527)	-	(56,891)
Machinery, equipment, and furnishings	(18,823)	(1,429)	489	(19,763)
Infrastructure	(24,438)	(965)	-	(25,403)
Total accumulated depreciation	(97,625)	(4,921)	489	(102,057)
Total capital assets, being depreciated, net	79,583	2,789	(30)	82,342
Capital assets, not being depreciated:				
Land	13,930	-	-	13,930
Construction in progress	8,615	4,798	(7,395)	6,018
Total capital assets, not being depreciated	22,545	4,798	(7,395)	19,948
Governmental activities capital assets, net	<u>\$ 102,128</u>	<u>\$ 7,587</u>	<u>\$ (7,425)</u>	<u>\$ 102,290</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 44,575	\$ 50	\$ -	\$ 44,625
Machinery, equipment, and furnishings	1,847	515	(383)	1,979
Infrastructure	<u>35,321</u>	<u>296</u>	<u>-</u>	<u>35,617</u>
Total capital assets, being depreciated	81,743	861	(383)	82,221
Less accumulated depreciation for:				
Buildings and improvements	(23,225)	(1,090)	-	(24,315)
Machinery, equipment, and furnishings	(1,503)	(75)	383	(1,195)
Infrastructure	<u>(19,345)</u>	<u>(742)</u>	<u>-</u>	<u>(20,087)</u>
Total accumulated depreciation	<u>(44,073)</u>	<u>(1,907)</u>	<u>383</u>	<u>(45,597)</u>
Total capital assets, being depreciated, net	37,670	(1,046)	-	36,624
Capital assets, not being depreciated:				
Land	29	-	-	29
Construction in progress	<u>48,080</u>	<u>5,295</u>	<u>(824)</u>	<u>52,551</u>
Total capital assets, not being depreciated	<u>48,109</u>	<u>5,295</u>	<u>(824)</u>	<u>52,580</u>
Business-type activities capital assets, net	<u>\$ 85,779</u>	<u>\$ 4,249</u>	<u>\$ (824)</u>	<u>\$ 89,204</u>

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

Governmental Activities:	
General government	\$ 184
Public safety	744
Education	2,509
Public works	1,297
Human services	1
Culture and recreation	<u>186</u>
Total depreciation expense - governmental activities	<u>\$ 4,921</u>
Business-Type Activities:	
Water	\$ 961
Sewer	<u>946</u>
Total depreciation expense - business-type activities	<u>\$ 1,907</u>

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2013:

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>	
	<u>Governmental</u>	<u>Business-type</u>	<u>Proprietary Funds</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Water</u>	<u>Sewer</u>
Deferred loss on refunding	\$ 226,599	\$ 137,704	\$ 77,110	\$ 60,594

10. **Warrants Payable**

Warrants payable represent 2013 expenditures paid by July 15, 2013.

11. **Tax Refunds Payable**

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

12. **Capital Lease Obligations**

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2014. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2013:

	<u>Fiscal</u>	<u>Capital</u>
	<u>Year</u>	<u>Leases</u>
	2014	\$ <u>99,835</u>
Total minimum lease payments		99,835
Less amounts representing interest		<u>4,645</u>
Present Value of Minimum Lease Payments		\$ <u><u>95,190</u></u>

13. **Long-Term Debt**

A. **General Obligation Bonds**

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

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities:</u>	<u>Through</u>		<u>as of</u>
			<u>6/30/13</u>
School remodeling	09/15/12	4.92%	\$ 45,165
School remodeling refunding	07/15/19	3.86%	253,955
Fire station bonds	09/15/12	4.94%	1,160,630
Landfill refunding	07/15/20	3.86%	667,380
Fire station refunding	07/15/19	3.86%	114,100
Town hall remodeling refunding	07/15/17	3.86%	72,103
Land acquisition remodeling	12/28/07	3.86%	128,815
School planning refunding	07/15/20	3.86%	165,900
School remodeling refunding	07/15/18	3.86%	121,000
School remodeling refunding	07/15/16	3.86%	60,985
Police station	07/15/15	3.86%	758,172
School remodeling	07/15/14	3.86%	99,000
School remodeling	07/15/14	3.86%	107,000
High school building	12/01/24	3.93%	7,450,000
School remodeling	09/15/26	3.78%	2,050,000
Town building remodeling	09/15/26	3.78%	1,050,000
Recreation facility	09/15/21	3.45%	900,000
School remodeling	09/15/20	2.82%	815,000
General obligation	09/15/21	2.23%	7,265,000
General obligation	09/15/24	1.74%	7,885,000
Total Governmental Activities:			<u>\$ 31,169,205</u>

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Business-Type Activities:</u>	<u>Through</u>		<u>as of</u>
			<u>6/30/13</u>
Water:			
Water	03/01/14	3.48%	\$ 110,000
Water treatment planning	09/15/28	3.88%	2,005,000
Water treatment plant	09/15/28	3.88%	2,080,000
Water mains	09/15/28	3.88%	800,000
MWPAT DW-06-12	07/15/28	2.00%	16,555,590
Water main	07/15/15	3.86%	40,000
MWPAT DW 00-20	02/01/21	5.09%	185,000
Refunding water 363	07/15/18	3.85%	90,770
Refunding water 692	07/15/18	3.85%	203,000
Refunding water 970	07/15/18	3.86%	213,000
Refunding water 801	07/15/18	3.85%	243,000
Refunding water 1	07/15/20	3.85%	290,750
Refunding water 2	07/15/20	3.85%	291,000
Refunding water 3	07/15/20	3.85%	207,900
MWPAT DW 02-02	08/01/22	5.01%	261,203
Water refunding OM 875	07/15/18	3.86%	248,000
Water treatment plant and mains	09/15/21	2.23%	2,060,000
MWPAT DW 06-12-A	07/15/32	2.00%	17,140,677
Total Water:			<u>43,024,890</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/13</u>
Sewer:			
Sewer 1	03/01/25	4.11%	670,000
Sewer 2	03/01/25	4.11%	220,000
Sewer 3	03/01/25	4.11%	220,000
Sewer 4	03/01/25	4.11%	160,000
Sewer 5	03/01/25	4.11%	110,000
Sewer bond 1 refunding	07/15/20	3.86%	560,524
Sewer bond refunding	07/15/19	3.86%	278,900
MWPAT 94-16	02/01/17	5.52%	125,923
Sewer OM 250 refunding	07/15/17	3.86%	50,950
Sewer OM 535 refunding	07/15/18	3.86%	152,000
Sewer OM 650 refunding	07/15/18	3.86%	183,000
Sewer OM 700 refunding	07/15/18	3.86%	213,000
MWRA NO 07-050	05/15/15	0.00%	33,000
Title V septic loan 97-116	08/01/19	0.00%	19,539
MWRA sewer no 07-050	11/15/15	0.00%	10,725
MWRA sewer bond	11/15/16	0.00%	280,236
Sewer 1-5 refunding	09/15/24	1.74%	9,015,000
Total Sewer:			12,302,797
Total Business-Type Activities:			\$ 55,327,687

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,660,115	\$ 1,072,275	\$ 4,732,390
2015	3,606,420	947,331	4,553,751
2016	3,310,170	829,690	4,139,860
2017	3,131,056	717,899	3,848,955
2018	2,964,244	615,887	3,580,131
2019 - 2023	12,377,200	1,550,798	13,927,998
2024 - 2028	2,120,000	122,642	2,242,642
Total	\$ 31,169,205	\$ 5,856,522	\$ 37,025,727

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,879,364	\$ 1,474,020	\$ 5,353,384
2015	3,808,428	1,359,622	5,168,050
2016	3,829,253	1,230,469	5,059,722
2017	3,841,684	1,124,677	4,966,361
2018	3,762,176	1,020,790	4,782,966
2019 - 2023	17,482,688	3,550,095	21,032,783
2024 - 2028	13,405,658	1,472,383	14,878,041
2029 - 2033	<u>5,318,436</u>	<u>297,652</u>	<u>5,616,088</u>
Total	\$ <u>55,327,687</u>	\$ <u>11,529,708</u>	\$ <u>66,857,395</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/12</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/13</u>	Less Current <u>Portion</u>	Equals Long-Term Portion <u>6/30/13</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 32,981	\$ 2,115	\$ (3,927)	\$ 31,169	\$ 3,660	\$ 27,509
Other:						
Compensated absences	2,029	111	-	2,140	107	2,033
Landfill closure	180	-	(10)	170	10	160
Capital lease	186	-	(91)	95	95	-
Unamortized bond premium	914	433	(90)	1,257	126	1,131
Accrued other post-employment benefits	<u>41,676</u>	<u>10,644</u>	<u>-</u>	<u>52,320</u>	<u>-</u>	<u>52,320</u>
Totals	\$ <u>77,966</u>	\$ <u>13,303</u>	\$ <u>(4,118)</u>	\$ <u>87,151</u>	\$ <u>3,998</u>	\$ <u>83,153</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 58,172	\$ 2,200	\$ (5,045)	\$ 55,327	\$ 3,879	\$ 51,448
Other:						
Compensated absences	86	-	(4)	82	4	78
Unamortized bond premium	153	-	(25)	128	9	119
Accrued other post-employment benefits	<u>1,181</u>	<u>290</u>	<u>-</u>	<u>1,471</u>	<u>-</u>	<u>1,471</u>
Totals	\$ <u>59,592</u>	\$ <u>2,490</u>	\$ <u>(5,074)</u>	\$ <u>57,008</u>	\$ <u>3,892</u>	\$ <u>53,116</u>

14. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs as a liability in the financial statements in each period based on landfill capacity used as of each balance sheet date.

The landfill was closed in 2000. The \$170,000 reported as landfill closure and postclosure care liability at June 30, 2013 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. The actual life of the landfill may be longer due to increased recycling efforts. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. Deferred Inflows of Resources

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

The following is a summary of deferred inflow of resources balances as of June 30, 2013:

		<u>Fund Basis</u>	
		<u>General Fund</u>	<u>Nonmajor</u>
Deferred revenue	\$	10,814,394	\$ 2,443,036

16. Restricted Net Position

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

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

17. **Governmental Funds - Balances**

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

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

The following types of fund balances are reported at June 30, 2013:

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations and certain stabilization funds.

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

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

Following is a breakdown of the Town's fund balances at June 30, 2013:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 142,720	\$ 142,720
Total Nonspendable	-	142,720	142,720
Restricted			
Bonded projects	-	2,652,519	2,652,519
Special revenue funds	-	7,732,186	7,732,186
Reserved for debt service	799,677	-	799,677
Expendable permanent funds	-	301,382	301,382
Total Restricted	799,677	10,686,087	11,485,764
Committed			
Continued appropriations	2,483,151	-	2,483,151
Special purpose stabilization	1,829,180	-	1,829,180
Community preservation	-	1,912,986	1,912,986
Total Committed	4,312,331	1,912,986	6,225,317
Assigned			
Encumbrances	1,099,257	-	1,099,257
Workers compensation	373,304	-	373,304
GIC	1,138,227	-	1,138,227
Total Assigned	2,610,788	-	2,610,788
Unassigned			
Special revenue funds	-	(19,610)	(19,610)
Capital project funds	-	(985,001)	(985,001)
General stabilization	1,153,186	-	1,153,186
General fund	4,536,520	-	4,536,520
Total Unassigned	5,689,706	(1,004,611)	4,685,095
Total Fund Balances	\$ 13,412,502	\$ 11,737,182	\$ 25,149,684

18. **General Fund Unassigned Fund Balance**

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

Massachusetts general laws include provisions to allow municipalities to over-expend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the

“snow and ice” appropriation. All such overexpenditures, however, must be funded in the subsequent year’s tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

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

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

GAAP basis balance	\$ 5,689,706
Stabilization fund	(1,153,186)
Tax refund estimate	<u>866,674</u>
Statutory (UMAS) Balance	<u><u>\$ 5,403,194</u></u>

19. Transfers

Transfers between Governmental Activities and Business-type Activities do not offset by \$700,000. This is due to transfers between Governmental Activities and the Other Post-employment Benefits Trust Fund.

20. Commitments and Contingencies

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

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

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

Other Post-Employment Benefits

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

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Group Insurance Commission (GIC). The GIC is a quasi-independent state agency that administers an agent multi-employer defined benefit OPEB plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of January 1, 2011, the actuarial valuation date, approximately 1394 retirees and 1277 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

Retirees contribute between 12.5% and 20% of the cost of the health plan, as determined by the GIC. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The

following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2011.

Annual Required Contribution (ARC)	\$ 21,463,776
Adjustment to ARC	<u>(98,418)</u>
Annual OPEB cost	21,365,358
Contributions made*	<u>(10,430,646)</u>
Increase in net OPEB obligation	10,934,712
Net OPEB obligation - beginning of year	<u>42,856,570</u>
Net OPEB obligation - end of year	<u>\$ 53,791,282</u>

*This includes contributions based on the January 1, 2011 actuarial valuation and a funding of \$700,000 to the OPEB Trust Fund.

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 21,365,358	49%	\$ 53,791,282
2012	\$ 20,207,976	51%	\$ 42,856,570
2011	\$ 19,949,364	45%	\$ 32,886,545
2010	\$ 15,189,425	55%	\$ 21,903,268

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 236,106,385
Actuarial value of plan assets*	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 236,106,385</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 75,491,123</u>
UAAL as a percentage of covered payroll	<u>312.8%</u>

*As noted, this is based on the January 1, 2011 actuarial valuation. During FY12, the Town adopted the OPEB Trust, which is not reflected in this figure.

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

F. Actuarial Methods and Assumptions

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

In the January 1, 2011 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.25% investment rate of return and an initial annual healthcare cost trend rate of 10%, which decreases to 5%. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.25%.

22. Contributory Retirement System

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

A. Plan Description and Contribution Information

Substantially all employees of the Town are members of the Weymouth Contributory Retirement System (WCRS), a cost-sharing, multiple-employer defined benefit PERS. Eligible employees must participate in the WCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the WCRS Retirement Board. Chapter 32

also establishes contribution percentages and benefits paid. The WCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	618
Terminated plan members entitled to but not yet receiving benefits	143
Active plan members	<u>811</u>
Total	<u><u>1,572</u></u>

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

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

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

Schedule of Employer Contributions:

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2008	\$ 7,994,913	100%
2009	\$ 8,185,676	100%
2010	\$ 8,381,916	100%
2011	\$ 8,380,495	100%
2012	\$ 8,700,160	100%

B. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due.

Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

C. Funded Status and Funding Progress

The information presented below is from the Weymouth Contributory Retirement System's most recent valuation.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/07	\$ 137,333,000	\$ 190,920,000	\$ 53,587,000	72%	\$ 34,808,000	154%
01/01/10	\$ 120,566,000	\$ 207,894,000	\$ 87,328,000	58%	\$ 33,366,000	262%
01/01/12	\$ 128,910,000	\$ 232,013,000	\$ 103,103,000	56%	\$ 34,841,000	296%

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

D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$103,103,000 was calculated. The actuarial assumptions included (a) 8% investment rate of return and (b) a projected salary increase of 5% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3%, on the first \$12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of the unfunded actuarially accrued liability is being amortized over 13 years using an open group method which assumes a 5% per year increase in payroll.

E. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is

funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

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

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

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

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

In fiscal year 2013, the Commonwealth of Massachusetts contributed \$19,632,645 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

23. Risk Management

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

24. Implementation of New GASB Standards

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

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

**June 30, 2013
(Unaudited)**

Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/97	\$ 58,726,000	\$ 106,219,000	\$ 47,493,000	55%	\$ 19,645,000	242%
01/01/99	\$ 80,108,000	\$ 124,860,000	\$ 44,752,000	64%	\$ 23,470,000	191%
01/01/01	\$ 97,212,000	\$ 139,501,000	\$ 42,289,000	70%	\$ 26,698,000	158%
01/01/03	\$ 82,343,000	\$ 159,560,000	\$ 77,217,000	52%	\$ 28,228,000	274%
01/01/05	\$ 113,780,000	\$ 174,530,000	\$ 60,750,000	65%	\$ 30,671,000	198%
01/01/07	\$ 137,333,000	\$ 190,920,000	\$ 53,587,000	72%	\$ 34,808,000	154%
01/01/10	\$ 120,565,506	\$ 207,893,613	\$ 87,328,107	58%	\$ 33,366,000	262%
01/01/12	\$ 128,910,000	\$ 232,013,000	\$ 103,103,000	56%	\$ 34,841,000	296%

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)*	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/07	\$ -	\$ 195,118,395	\$ 195,118,395	0.0%	N/A	N/A
01/01/11	\$ -	\$ 236,106,385	\$ 236,106,385	0.0%	\$ 75,491,123	312.8%

*This is based on the January 1, 2011 actuarial valuation. During FY12, the Town adopted the OPEB Trust, which is not reflected in this figure.

See Independent Auditors' Report.