

TOWN OF AYER, MASSACHUSETTS

Financial Statements

June 30, 2014

(With Accountants' Report Thereon)

36 Jackman St., Unit 1

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Town of Ayer, Massachusetts
FINANCIAL STATEMENTS
For the Year Ended June 30, 2014
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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Ayer
Town Hall
Ayer, Massachusetts 01432

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 Ayer, Massachusetts as of and for the year ended June 30, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ayer, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated March 27, 2015, on our consideration of the Town of Ayer, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ayer, Massachusetts' internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 27, 2015

Town of Ayer, Massachusetts
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2014

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

Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Ayer, Massachusetts June 30, 2014 **basic financial statements**. The Town of Ayer, Massachusetts' basic financial statements are comprised of three components: 1) **government-wide financial statements**, 2) **fund financial statements**, and 3) **notes to the financial statements**. This report also contains required supplementary information in addition to the basic financial statements themselves. Please refer to the table of contents for the location of these items.

Financial Highlights

- The assets of the Town of Ayer, Massachusetts exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$35,887,801 (*net position*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,908,774, or 16 percent of total general fund expenditures.
- The Town of Ayer, Massachusetts' total long term debt decreased by \$2,217,561 during the current year. The decrease was the result of the retirement of general obligation bonds (\$949,679) in the government activities and in the business-type activities (\$1,267,882).

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Ayer, Massachusetts' finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the Town of Ayer, Massachusetts' assets and liabilities, with the differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Ayer, Massachusetts is improving or deteriorating.

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

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.
- **Business-type Activities** - Activities reported here are for water, sewer, ambulance, solid waste and stormwater activities. User fees charged to the customers receiving services finance these 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. The Town of Ayer, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Ayer, Massachusetts 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* 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*.

Proprietary funds. The Town of Ayer, Massachusetts maintains five proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Ayer, Massachusetts uses enterprise funds to account for its Water, Sewer, Ambulance, Solid Waste and Stormwater operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains fiduciary funds to account for activities related to charitable trust funds and for its Other Post Employment Benefits (OPEB) trust fund. The OPEB Trust Fund is used to accumulate resources to provide funding for future OPEB liabilities.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire 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 *required supplementary information* concerning the Town of Ayer, Massachusetts' progress in funding its obligation to provide pension and OPEB benefits to its employees. The *required supplementary information* also includes budget versus actual information.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the statement of net position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

The reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

Ayer School Department Regionalization

Effective July 1, 2011, the Town of Ayer entered into an agreement with the Town of Shirley to form the Ayer/Shirley Regional School District. The District is comprised of the public school students who reside in Ayer and Shirley who are attending grades Pre-Kindergarten through grade twelve.

The creation of the new regional school district has had an impact on the Town's financial statements, especially when comparing financial data from year to year (pre and post regionalization). The fiscal year 2014, 2013 and 2012 general fund education expenditures are assessments paid to the Regional School District, whereas the 2011 (and prior) general fund expenditures included salaries and vendor expenditures. In addition, the revenues and expenditures related to the school special revenue funds (grants, revolving funds...), capital project funds and trust funds are reported as revenues and expenditures of the Ayer/Shirley Regional School District and are no longer included in the Town's financial statements.

In addition, the Town became a member of the Nashoba Regional Technical School effective July 1, 2013. In the past, the Town paid "tuitions" for its students attending the School. As a

member of the Regional School District, the Town assessment was far less than the tuition paid in fiscal year 2013.

Financial Analysis of the Government-wide Financial Statements.

Net Position

Net position may serve over time as a useful indicator of a government's financial position. However, the net position of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are not used to finance costs related to business-type activities.

The following table reflects the condensed net position for the past two fiscal years.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 13,557,555	\$ 12,898,527	\$ 5,772,008	\$ 6,550,682	\$ 19,329,563	\$ 19,449,209
Capital Assets	16,867,252	17,213,170	22,568,150	20,828,605	39,435,402	38,041,775
Total Assets	<u>30,424,807</u>	<u>30,111,697</u>	<u>28,340,158</u>	<u>27,379,287</u>	<u>58,764,965</u>	<u>57,490,984</u>
Current Liabilities	1,779,789	1,966,912	2,979,352	2,476,386	4,759,141	4,443,298
Long Term Liabilities	10,022,781	10,653,098	7,887,068	9,051,012	17,909,849	19,704,110
Total Liabilities	<u>11,802,570</u>	<u>12,620,010</u>	<u>10,866,420</u>	<u>11,527,398</u>	<u>22,668,990</u>	<u>24,147,408</u>
Deferred Inflows of Resources:						
Unavailable Revenues	-	-	202,000	-	202,000	-
Property Taxes Paid in Advance	6,174	-	-	-	6,174	-
Total Deferred Inflows of Resources	<u>6,174</u>	<u>-</u>	<u>202,000</u>	<u>-</u>	<u>208,174</u>	<u>-</u>
Net Position:						
Net Investment in Capital Assets	11,223,990	10,862,247	15,532,654	15,185,424	26,756,644	26,047,671
Restricted	6,807,957	6,156,184	-	-	6,807,957	6,156,184
Unrestricted	584,116	473,256	1,739,084	666,465	2,323,200	1,139,721
Total Net Position	<u>\$ 18,616,063</u>	<u>\$ 17,491,687</u>	<u>\$ 17,271,738</u>	<u>\$ 15,851,889</u>	<u>\$ 35,887,801</u>	<u>\$ 33,343,576</u>

The net position of the Town increased by \$2,544,225. The net position of the governmental activities increased by \$1,124,376 or 6% and the net position of the business-type activities increased by \$1,419,849 or 9%.

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net position has changed during the fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 640,283	\$ 552,784	\$ 5,656,866	\$ 3,895,453	\$ 6,297,149	\$ 4,448,237
Operating Grants and Contributions	5,773,262	6,578,574	73,903	12,878	5,847,165	6,591,452
Capital Grants and Contributions	-	680,493	-	1,309,166	-	1,989,659
General Revenues:						
Property Taxes	18,933,972	18,264,600	-	-	18,933,972	18,264,600
Motor Vehicle and Other Excises	971,669	1,142,251	-	-	971,669	1,142,251
Intergovernmental Not Restricted to a Specific Program	731,205	699,573	-	-	731,205	699,573
Other	373,772	289,586	-	-	373,772	289,586
Total Revenues	<u>27,424,163</u>	<u>28,207,861</u>	<u>5,730,769</u>	<u>5,217,497</u>	<u>33,154,932</u>	<u>33,425,358</u>
Expenses						
General Government	2,593,329	2,329,142	-	-	2,593,329	2,329,142
Public Safety	3,877,284	3,580,497	-	-	3,877,284	3,580,497
Education	14,054,174	14,358,258	-	-	14,054,174	14,358,258
Highways and Public Works	1,608,412	1,465,145	-	-	1,608,412	1,465,145
Human Services	488,794	724,279	-	-	488,794	724,279
Culture and Recreation	753,220	764,183	-	-	753,220	764,183
Employee Benefits	1,992,933	2,160,144	-	-	1,992,933	2,160,144
Debt Service	247,546	290,679	-	-	247,546	290,679
Sewer	-	-	2,444,754	2,315,772	2,444,754	2,315,772
Water	-	-	1,401,337	1,408,144	1,401,337	1,408,144
Other	-	-	966,479	912,881	966,479	912,881
Total Expenses	<u>25,615,692</u>	<u>25,672,327</u>	<u>4,812,570</u>	<u>4,636,797</u>	<u>30,428,262</u>	<u>30,309,124</u>
Increase (Decrease) in Net Position						
Before Special Items and Transfers	1,808,471	2,535,534	918,199	580,700	2,726,670	3,116,234
Special Items	(12,445)	-	-	-	(12,445)	-
Capital Assets Transfers	-	(284,881)	-	284,881	-	-
Transfers	(671,650)	(544,219)	501,650	504,219	(170,000)	(40,000)
Increase (Decrease) in Net Position	<u>\$ 1,124,376</u>	<u>\$ 1,706,434</u>	<u>\$ 1,419,849</u>	<u>\$ 1,369,800</u>	<u>\$ 2,544,225</u>	<u>\$ 3,076,234</u>

Governmental Activities

In fiscal year 2014, property taxes accounted for approximately 69% of the revenues. In fiscal year 2013 proprietary taxes accounted for 65% of the revenues.

Business-type Activities

Sewer and water rates are structured to cover all costs related to each activity.

Financial Analysis of the Town's Funds

Governmental Funds

The focus of the Town of Ayer, Massachusetts' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Ayer, Massachusetts' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town of Ayer, Massachusetts itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town of Ayer, Massachusetts' Selectmen.

General Fund – The following table reflects the trend in all the components of fund balance and free cash for the previous nine fiscal years.

<u>Fiscal Year</u>	<u>Reserved for Encumbrances</u>	<u>Reserved for Extraordinary/ Unforeseen</u>	<u>Reserved for Special Purpose</u>	<u>Reserved for Debt</u>	<u>Reserved for Appropriation Deficit</u>	<u>Reserved for Subsequent Year's Expenditure</u>	<u>Unreserved</u>	<u>Total Fund Balance</u>
2006	\$ 590,130	\$ -	\$ 55,244	\$ 95,296	\$ (87,669)	\$ 800,730	\$ 1,137,397	\$ 2,591,128
2007	494,990	90,517	52,892	380,316	(154,213)	128,889	1,622,784	2,616,175
2008	870,468	75,967	55,938	396,074	(226,442)	862,179	1,262,138	3,296,322
2009	228,223	40,634	45,069	340,930	(160,871)	269,023	2,244,642	3,007,650
2010	204,488	34,574	48,843	309,524	(56,200)	1,151,975	1,179,259	2,872,463

GASB 54 was implemented in fiscal year 2011. As a result the account titles of the components of fund balance changed as follows:

<u>Fiscal Year</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
2011	\$ 431,326	\$ 28,368	\$ 624,509	\$ 1,680,287	\$ 2,764,490
2012	297,896	16,506	54,579	3,573,114	3,942,095
2013	244,967	63,657	857,790	4,141,120	5,307,534
2014	180,166	1,440,833	204,321	3,908,774	5,734,094

<u>Fiscal Year</u>	<u>Free Cash</u>
2006	\$ 627,889
2007	862,179
2008	269,023
2009	1,437,211
2010	439,161
2011	(68,213)
2012	1,421,491
2013	1,695,426
2014	1,284,460

Proprietary Funds. The Town of Ayer, Massachusetts' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the Proprietary Funds at the end of the year amounted to \$17,271,738.

General Fund Budgetary Highlights

The differences between the original budget and the final amended budget consists of special Town meeting votes, reserve fund transfers and year end transfers allowed by Massachusetts General Laws.

Conservative budget estimates allowed the Town to experience favorable operating results for both revenues and expenditures. Positive budgetary variances occurred in substantially all revenue categories.

Capital Asset and Debt Administration

Capital assets. The Town of Ayer, Massachusetts' investments in capital assets for its governmental and business type activities as of June 30, 2014, amounts to \$39,435,402 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

Capital Assets at June 30 (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 3,150,878	\$ 3,150,878	\$ 443,729	\$ 443,729	\$ 3,594,607	\$ 3,594,607
Construction in Progress	-	-	2,472,356	1,166,694	2,472,356	1,166,694
Buildings	11,225,345	11,729,664	3,578,769	3,711,136	14,804,114	15,440,800
Improvements Other Than Buildings	210,474	231,313	-	-	210,474	231,313
Infrastructure	1,441,427	1,427,382	15,175,961	14,415,676	16,617,388	15,843,058
Equipment	165,590	105,920	718,442	814,193	884,032	920,113
Vehicles	673,538	568,013	178,893	277,177	852,431	845,190
Total	<u>\$ 16,867,252</u>	<u>\$ 17,213,170</u>	<u>\$ 22,568,150</u>	<u>\$ 20,828,605</u>	<u>\$ 39,435,402</u>	<u>\$ 38,041,775</u>

Debt

The Town had \$13,184,700 in general obligation bonds, outstanding on June 30, 2014. This represents a \$2,217,561 decrease (14%) from the previous year.

Outstanding Debt at June 30

Governmental Activities	2014	2013	Change
General Obligation Bonds Payable	\$ 5,254,815	\$ 6,204,494	\$ (949,679)
Business-Type Activities			
Sewer	4,608,849	5,184,065	(575,216)
Water	2,822,403	3,405,639	(583,236)
Solid Waste	483,633	568,063	(84,430)
Ambulance	15,000	40,000	(25,000)
Total Debt	<u>\$ 13,184,700</u>	<u>\$ 15,402,261</u>	<u>\$ (2,217,561)</u>

Fiscal Year 2015 Budget

An initiative state statute, commonly known as “Proposition 2 ½”, limits the amount of property taxes that the Town can assess in any one year. In general, the Town’s property tax levy may increase by 2 ½ percent over the prior year’s tax levy, plus any additional amount derived by new developments or other significant changes made to existing property (new growth). If a community wishes to levy taxes above the limitations imposed by “Proposition 2 ½”, it is necessary to obtain the approval of a majority of the voters at an election.

A minimal increase in state aid had to be balanced with normal inflationary increases when considering the fiscal year 2015 budget.

Request for Information

This financial report is designed to provide a general overview of the Town of Ayer, Massachusetts’ 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 of Ayer
Finance Department
Town Hall
Ayer, Massachusetts 01432

Town of Ayer, Massachusetts
Statement of Net Position
June 30, 2014
(Continued on Page 12)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government Wide <u>Total</u>
Assets			
Current:			
Cash/Investments	\$ 11,143,191	\$ 3,963,495	\$ 15,106,686
Receivables:			
Property Taxes	503,655	-	503,655
Tax Liens	268,022	-	268,022
Excises	238,418	-	238,418
User Charges	-	1,504,472	1,504,472
Due from Others	140,287	202,000	342,287
Loans Receivables	879,271	-	879,271
Intergovernmental	368,283	40,746	409,029
Departmental	16,428	-	16,428
Prepaid Expenses	-	13,295	13,295
Due from Other Fund	-	48,000	48,000
Noncurrent:			
Capital Assets:			
Assets Not Being Depreciated	3,150,878	2,916,085	6,066,963
Assets Being Depreciated, Net	13,716,374	19,652,065	33,368,439
Total Assets	<u>30,424,807</u>	<u>28,340,158</u>	<u>58,764,965</u>
Liabilities			
Current:			
Warrants and Accounts Payable	185,363	458,102	643,465
Accrued Salaries Payable	110,073	17,516	127,589
Employees' Withholding Payable	29,402	-	29,402
Due to Other Fund	48,000	-	48,000
Other	34,527	-	34,527
Landfill Liabilities	-	22,000	22,000
Other Accrued Liabilities	3,247	111,589	114,836
Accrued Interest	25,664	28,221	53,885
Bonds Payable	829,677	1,162,881	1,992,558
Bond Anticipation Notes Payable	513,836	1,179,043	1,692,879
Noncurrent:			
Bonds Payable	4,425,138	6,767,004	11,192,142
Compensated Absences	299,527	18,091	317,618
Other Post Employment Benefit Obligations	5,298,116	225,892	5,524,008
Landfill Liabilities	-	876,081	876,081
Total Liabilities	<u>11,802,570</u>	<u>10,866,420</u>	<u>22,668,990</u>
Deferred Inflows of Resources:			
Unavailable Revenues	-	202,000	202,000
Property Taxes Paid in Advance	6,174	-	6,174
Total Deferred Inflows of Resources	<u>6,174</u>	<u>202,000</u>	<u>208,174</u>

Town of Ayer, Massachusetts
Statement of Net Position
June 30, 2014
(Continued from Page 11)

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Government Wide Total</u>
Net Position			
Net Investments in Capital Assets	11,223,990	15,532,654	26,756,644
Restricted For:			
Capital Projects	794	-	794
Debt Service	180,166	-	180,166
Special Revenue	6,454,177	-	6,454,177
Perpetual Funds:			
Expendable	172,820	-	172,820
Unrestricted	584,116	1,739,084	2,323,200
Total Net Position	<u>\$ 18,616,063</u>	<u>\$ 17,271,738</u>	<u>\$ 35,887,801</u>

Town of Ayer, Massachusetts
Statement of Activities
Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
<i>Governmental Activities:</i>							
General Government	\$ 2,593,329	\$ 310,042	\$ 583,945	\$ -	\$ (1,699,342)	\$ -	\$ (1,699,342)
Public Safety	3,877,284	126,711	269,062	-	(3,481,511)	-	(3,481,511)
Education	14,054,174	-	4,308,353	-	(9,745,821)	-	(9,745,821)
Highways and Public Works	1,608,412	64,191	311,838	-	(1,232,383)	-	(1,232,383)
Human Services	488,794	85,658	276,542	-	(126,594)	-	(126,594)
Culture and Recreation	753,220	53,681	23,522	-	(676,017)	-	(676,017)
Debt Service	247,546	-	-	-	(247,546)	-	(247,546)
Employee Benefits	1,992,933	-	-	-	(1,992,933)	-	(1,992,933)
Total Governmental Activities	<u>25,615,692</u>	<u>640,283</u>	<u>5,773,262</u>	<u>-</u>	<u>(19,202,147)</u>	<u>-</u>	<u>(19,202,147)</u>
<i>Business-Type Activities:</i>							
Sewer	2,444,754	2,956,000	59,736	-	-	570,982	570,982
Water	1,401,337	2,181,035	13,059	-	-	792,757	792,757
Other	966,479	519,831	1,108	-	-	(445,540)	(445,540)
Total Business-Type Activities	<u>4,812,570</u>	<u>5,656,866</u>	<u>73,903</u>	<u>-</u>	<u>-</u>	<u>918,199</u>	<u>918,199</u>
Total	<u>\$ 30,428,262</u>	<u>\$ 6,297,149</u>	<u>\$ 5,847,165</u>	<u>\$ -</u>	<u>(19,202,147)</u>	<u>918,199</u>	<u>(18,283,948)</u>
<i>General Revenues:</i>							
Property Taxes					18,933,972	-	18,933,972
Motor Vehicle and Other Excise Taxes					971,669	-	971,669
Penalties and Interest on Taxes					152,517	-	152,517
Other Taxes, Assessments and in Lieu Payments					18,814	-	18,814
<i>General Government (Continued):</i>							
Intergovernmental					731,205	-	731,205
Interest and Investment Income					97,594	-	97,594
Other Revenue					104,847	-	104,847
Gain (Loss) from Disposal of Capital Assets					(12,445)	-	(12,445)
Transfer In (Out)					(671,650)	501,650	(170,000)
Total General Revenues, Special Items and Transfers					<u>20,326,523</u>	<u>501,650</u>	<u>20,828,173</u>
Change in Net Position					1,124,376	1,419,849	2,544,225
<i>Net Position:</i>							
Beginning of the Year					<u>17,491,687</u>	<u>15,851,889</u>	<u>33,343,576</u>
End of the Year					<u>\$ 18,616,063</u>	<u>\$ 17,271,738</u>	<u>\$ 35,887,801</u>

Town of Ayer, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2014

	<u>General</u>	<u>Economic Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash/Investments	\$ 5,867,278	\$ 2,844,114	\$ 2,431,799	\$ 11,143,191
Receivables:				
Property Taxes	498,349	-	5,306	503,655
Tax Liens	265,675	-	2,347	268,022
Excises	238,418	-	-	238,418
Due From Others	13,067	45,833	81,387	140,287
Loans	-	879,271	-	879,271
Intergovernmental	2,012	-	366,271	368,283
Departmental	4,701	11,727	-	16,428
Due From Other Fund	270	-	352	622
Tax Foreclosures	200,591	-	-	200,591
Total Assets	<u>\$ 7,090,361</u>	<u>\$ 3,780,945</u>	<u>\$ 2,887,462</u>	<u>\$ 13,758,768</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Warrants and Accounts Payable	\$ 147,119	\$ 6,742	\$ 31,502	\$ 185,363
Accrued Salaries Payable	106,510	674	2,889	110,073
Employees' Withholding Payable	29,402	-	-	29,402
Other Accrued Liabilities	-	2,855	392	3,247
Due to Other Fund	48,000	622	-	48,622
Other Liabilities	65,520	-	(30,993)	34,527
Bonds Anticipation Notes Payable	-	-	513,836	513,836
Total Liabilities	<u>396,551</u>	<u>10,893</u>	<u>517,626</u>	<u>925,070</u>
Deferred Inflows of Resources:				
Unavailable Revenues	953,542	936,831	451,466	2,341,839
Property Taxes Paid in Advance	6,174	-	-	6,174
Total Deferred Inflows of Resources	<u>959,716</u>	<u>936,831</u>	<u>451,466</u>	<u>2,348,013</u>
Fund Equity:				
Fund Balances:				
Restricted	180,166	-	2,252,866	2,433,032
Committed	1,440,833	2,858,301	17,281	4,316,415
Assigned	204,321	-	135,332	339,653
Unassigned	3,908,774	(25,080)	(487,109)	3,396,585
Total Fund Balances	<u>5,734,094</u>	<u>2,833,221</u>	<u>1,918,370</u>	<u>10,485,685</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,090,361</u>	<u>\$ 3,780,945</u>	<u>\$ 2,887,462</u>	<u>\$ 13,758,768</u>

Town of Ayer, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>Economic Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>				
Property Taxes	\$ 18,775,374	\$ -	\$ 156,032	\$ 18,931,406
Tax Liens	140,765	-	-	140,765
Excises	1,018,885	-	-	1,018,885
Penalties and Interest	152,517	-	-	152,517
Licenses and Permits	205,168	-	-	205,168
Fees and Other Departmental	156,965	-	87,022	243,987
Intergovernmental	5,210,994	-	1,158,491	6,369,485
Charges for Services	-	49,984	125,973	175,957
Fines and Forfeits	3,854	-	-	3,854
Earnings on Investments	43,887	53,707	1,730	99,324
In Lieu of Taxes	18,814	-	-	18,814
Contributions	-	-	27,247	27,247
Miscellaneous	29,475	77,972	-	107,447
Total Revenues	<u>25,756,698</u>	<u>181,663</u>	<u>1,556,495</u>	<u>27,494,856</u>
<u>Expenditures:</u>				
Current				
General Government	1,677,024	314,490	420,413	2,411,927
Public Safety	3,343,441	-	466,824	3,810,265
Education	13,970,467	-	-	13,970,467
Highways and Public Works	1,107,392	40,551	424,650	1,572,593
Human Services	307,143	-	179,724	486,867
Culture and Recreation	600,702	-	76,511	677,213
Debt Service	1,196,340	-	5,198	1,201,538
Intergovernmental	88,390	-	-	88,390
Employee Benefits	1,817,589	-	-	1,817,589
Total Expenditures	<u>24,108,488</u>	<u>355,041</u>	<u>1,573,320</u>	<u>26,036,849</u>
Excess of Revenues Over (Under) Expenditures	<u>1,648,210</u>	<u>(173,378)</u>	<u>(16,825)</u>	<u>1,458,007</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	550,000	-	550,000
Operating Transfers (Out)	(1,221,650)	-	-	(1,221,650)
Total Other Financing Sources (Uses)	<u>(1,221,650)</u>	<u>550,000</u>	<u>-</u>	<u>(671,650)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>426,560</u>	<u>376,622</u>	<u>(16,825)</u>	<u>786,357</u>
Fund Balance, Beginning	5,307,534	2,456,599	1,935,195	9,699,328
Fund Balance, Ending	<u>\$ 5,734,094</u>	<u>\$ 2,833,221</u>	<u>\$ 1,918,370</u>	<u>\$ 10,485,685</u>

Town of Ayer, Massachusetts
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Position
 Fiscal Year Ended June 30, 2014

Total governmental fund balances	\$ 10,485,685
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,867,252
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,141,248
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds Payable	(5,254,815)
Accrued Interest on Bonds	(25,664)
Other Post Employment Benefit Obligations	(5,298,116)
Compensated Absences	(299,527)
	(14,253,385)
Net position of governmental activities	\$ 18,616,063

Town of Ayer, Massachusetts
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Fiscal Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 786,357
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. This is the amount by which capital outlays exceed depreciation	(333,473)
In the statement of activities, the gain (loss) on the disposal of capital assets is reported, whereas in the governmental funds, the gain (loss) is not reported.	(12,445)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.	(70,693)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	949,680
Some expenses reported in the Statement of Activities, such as compensated absences, accrued interest payable and OPEB costs do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the net change in these items.	<u>(195,050)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,124,376</u></u>

Town of Ayer, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2014

	<u>Business-Type Activities</u>					<u>Total</u>
	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Solid Waste Other Enterprise</u>	<u>Ambulance Other Enterprise</u>	<u>Stormwater Other Enterprise</u>	
Assets						
Current:						
Cash and Cash Investments	\$ 1,309,201	\$ 2,108,804	\$ 150,479	\$ 167,373	\$ 227,638	\$ 3,963,495
Receivables, Net of Allowance for Uncollectibles:						
User Charges	885,251	523,815	-	95,406	-	1,504,472
Due from Other Fund	-	48,000	-	-	-	48,000
Due from Intergovernmental	40,746	-	-	-	-	40,746
Prepaid Expenses	13,295	-	-	-	-	13,295
Due from Other	-	202,000	-	-	-	202,000
Noncurrent:						
Capital Assets:						
Assets Not Being Depreciated	307,598	2,604,487	4,000	-	-	2,916,085
Assets Being Depreciated, Net	12,554,838	6,080,379	487,545	64,948	464,355	19,652,065
Total Assets	15,110,929	11,567,485	642,024	327,727	691,993	28,340,158
Liabilities						
Current:						
Warrants Payable	95,085	305,471	32,813	4,975	19,758	458,102
Accrued Wages Payable	8,629	6,370	2,517	-	-	17,516
Accrued Interest Payable	13,173	10,349	4,686	13	-	28,221
Bonds Payable	540,120	527,670	80,091	15,000	-	1,162,881
Bond Anticipation Notes Payable	684,309	269,376	48,358	27,000	150,000	1,179,043
Other Accrued Liabilities	69,664	27,268	4,494	-	10,163	111,589
Landfill Liabilities	7,000	-	15,000	-	-	22,000
Noncurrent:						
Bonds Payable	4,068,729	2,294,733	403,542	-	-	6,767,004
Landfill Liabilities	448,063	-	428,018	-	-	876,081
Other Post Employment Benefit Obligations	116,156	66,537	43,199	-	-	225,892
Compensated Absences	9,608	6,677	1,806	-	-	18,091
Total Liabilities	6,060,536	3,514,451	1,064,524	46,988	179,921	10,866,420
Deferred Inflows of Resources:						
Unavailable Revenues	-	202,000	-	-	-	202,000
Total Deferred Inflows of Resources	-	202,000	-	-	-	202,000
Net Position						
Net Investment in Capital Assets	8,556,461	6,129,854	332,036	49,948	464,355	15,532,654
Restricted for:						
Unrestricted	493,932	1,721,180	(754,536)	230,791	47,717	1,739,084
Total Net Position	\$ 9,050,393	\$ 7,851,034	\$ (422,500)	\$ 280,739	\$ 512,072	\$17,271,738

Town of Ayer, Massachusetts
Statement of Revenue, Expenses and Changes in Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2014

Business-Type Activities

	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Solid Waste Other Enterprise</u>	<u>Ambulance Other Enterprise</u>	<u>Stormwater Other Enterprise</u>	<u>Total</u>
Operating Revenues:						
Charges for Services	\$ 2,956,000	\$ 2,129,450	\$ 162,693	\$ 357,138	\$ -	\$ 5,605,281
Intergovernmental	40,746	-	-	-	-	40,746
Other Revenues	-	51,585	-	-	-	51,585
Total Operating Revenues	2,996,746	2,181,035	162,693	357,138	-	5,697,612
Operating Expenditures:						
Personal Services	456,755	296,344	100,061	388,164	-	1,241,324
Nonpersonal Service	1,239,707	704,001	257,866	-	76,911	2,278,485
Depreciation	540,293	286,472	60,252	46,796	9,574	943,387
Total Operating Expenditures	2,236,755	1,286,817	418,179	434,960	86,485	4,463,196
Operating Income (Loss)	759,991	894,218	(255,486)	(77,822)	(86,485)	1,234,416
Nonoperating Revenues (Expenses):						
Premium on Debt	4,284	1,686	-	169	939	7,078
Earnings on Investments	14,706	11,373	-	-	-	26,079
Interest on Debt	(207,999)	(114,520)	(25,087)	(1,108)	(660)	(349,374)
Total Nonoperating Revenues (Expenses)	(189,009)	(101,461)	(25,087)	(939)	279	(316,217)
Income Before Transfers	570,982	792,757	(280,573)	(78,761)	(86,206)	918,199
Transfers In (Out):						
Operating Transfers In	26,619	119,498	260,533	-	95,000	501,650
Total Transfers	26,619	119,498	260,533	-	95,000	501,650
Change in Net Position	597,601	912,255	(20,040)	(78,761)	8,794	1,419,849
Total Net Position July 1, 2013	8,452,792	6,938,779	(402,460)	359,500	503,278	15,851,889
Total Net Position June 30, 2014	\$ 9,050,393	\$ 7,851,034	\$ (422,500)	\$ 280,739	\$ 512,072	\$ 17,271,738

Town of Ayer, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2014
(Continued on Page 21)

	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Solid Waste Other Enterprise</u>	<u>Ambulance Other Enterprise</u>	<u>Stormwater Other Enterprise</u>	<u>Total Enterprise</u>
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 2,456,873	\$ 1,779,337	\$ 162,693	\$ 373,306	\$ -	\$ 4,772,209
Payments to Employees	(460,798)	(295,742)	(100,767)	(388,164)	-	(1,245,471)
Payments to Vendors	(1,218,905)	(531,366)	(239,691)	1,002	(80,054)	(2,069,014)
Net Cash Flows Provided (Used) by Operating Activities	<u>777,170</u>	<u>952,229</u>	<u>(177,765)</u>	<u>(13,856)</u>	<u>(80,054)</u>	<u>1,457,724</u>
Cash Flows from Non Capital Related Financing Activities:						
Transfer from Other Funds	<u>26,619</u>	<u>119,498</u>	<u>260,533</u>	<u>-</u>	<u>95,000</u>	<u>501,650</u>
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>26,619</u>	<u>119,498</u>	<u>260,533</u>	<u>-</u>	<u>95,000</u>	<u>501,650</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition of Capital Assets	(456,546)	(2,208,339)	(18,047)	-	-	(2,682,932)
Premium from Bond	4,284	1,686	-	169	939	7,078
Payments on Bond Anticipation Note	(552,386)	(181,575)	(48,358)	-	-	(782,319)
Proceeds from Bond Anticipation Note	684,309	269,376	48,358	27,000	150,000	1,179,043
Principal Payments on Bonds	(575,216)	(583,236)	(84,430)	(25,000)	-	(1,267,882)
Interest Expense	(210,311)	(118,871)	(25,811)	(1,137)	(660)	(356,790)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(1,105,866)</u>	<u>(2,820,959)</u>	<u>(128,288)</u>	<u>1,032</u>	<u>150,279</u>	<u>(3,903,802)</u>
Cash Flows from Investing Activities:						
Earnings on Investments	<u>14,706</u>	<u>11,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,079</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>14,706</u>	<u>11,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,079</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(287,371)</u>	<u>(1,737,859)</u>	<u>(45,520)</u>	<u>(12,824)</u>	<u>165,225</u>	<u>(1,918,349)</u>
Cash and Cash Equivalents, July 1, 2013	<u>1,596,572</u>	<u>3,846,663</u>	<u>195,999</u>	<u>180,197</u>	<u>62,413</u>	<u>5,881,844</u>
Cash and Cash Equivalents, June 30, 2014	<u>\$ 1,309,201</u>	<u>\$ 2,108,804</u>	<u>\$ 150,479</u>	<u>\$ 167,373</u>	<u>\$ 227,638</u>	<u>\$ 3,963,495</u>

Town of Ayer, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2014
(Continued from Page 20)

	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Solid Waste Other Enterprise</u>	<u>Ambulance Other Enterprise</u>	<u>Stormwater Other Enterprise</u>	<u>Total Enterprise</u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 759,991	\$ 894,218	\$ (255,486)	\$ (77,822)	\$ (86,485)	\$ 1,234,416
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	540,293	286,472	60,252	46,796	9,574	943,387
(Increase) Decrease in Assets:						
Accounts Receivable - Customer	(539,873)	(401,698)	-	16,168	-	(925,403)
Increase (Decrease) in Liabilities:						
Warrants and Accounts Payable	16,759	173,237	17,469	1,002	(3,143)	205,324
Net Cash Provided by Operating Activities	<u>\$ 777,170</u>	<u>\$ 952,229</u>	<u>\$ (177,765)</u>	<u>\$ (13,856)</u>	<u>\$ (80,054)</u>	<u>\$ 1,457,724</u>

Town of Ayer, Massachusetts
 Fiduciary Funds
 Statement of Net Position
 June 30, 2014

	Private Purpose <u>Trust</u>	OPEB <u>Trust</u>	Agency <u>Funds</u>
Assets			
Cash and Cash Investments	<u>\$362,657</u>	<u>\$ 237,287</u>	<u>\$ 135,717</u>
Total Assets	<u><u>\$362,657</u></u>	<u><u>\$ 237,287</u></u>	<u><u>\$ 135,717</u></u>
Liabilities			
Warrants Payable	\$ -	\$ -	\$ 754
Guarantee Deposits	-	-	135,477
Other	<u>-</u>	<u>-</u>	<u>(514)</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>135,717</u>
Net Position			
Reserved for Individuals and Other			
Expendable	207,874	237,287	-
Nonexpendable	<u>154,783</u>	<u>-</u>	<u>-</u>
Total Net Position	<u><u>\$362,657</u></u>	<u><u>\$ 237,287</u></u>	<u><u>\$ -</u></u>

Town of Ayer, Massachusetts
Fiduciary Funds
Statement of Changes in Net Position
Fiscal Year Ended June 30, 2014

	<u>Private Purpose Trust</u>	<u>OPEB Trust</u>
Additions:		
Interest, Dividends, and Other	\$ 40,416	\$ 17,159
Total Additions	40,416	17,159
Deductions:		
Benefits	5,525	-
Change in Net Position Before Transfers	34,891	17,159
Transfers In (Out):		
Operating Transfers In	-	170,000
Change in Net Position	34,891	187,159
Net Position:		
Beginning of the Year	327,766	50,128
End of the Year	\$ 362,657	\$ 237,287

Town of Ayer, Massachusetts
Notes to the Financial Statements
June 30, 2014

I. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Ayer, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2014, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

The more significant accounting policies of the Town are summarized below.

A. **Reporting Entity**

The Town's financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the Town was the only entity included in the accompanying financial statements.

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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Government 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 are reported as separate columns in the fund financial statements.

Major Fund Criteria

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

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

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

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise tax, amounts due under grants and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

The Town reports the following major governmental funds:

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

Economic Development – This economic development fund accounts for the activity originally funded by an Urban Development Action Grant.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following types of funds are included in the nonmajor category:

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

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

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

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

The Town reports five enterprise funds. The Water and Sewer funds are considered major funds.

Water Enterprise Fund – This fund is used to account for the activities related to the water distribution system.

Sewer Enterprise Fund – This fund is used to account for sewer services.

Ambulance Enterprise Fund – This fund is used to account for the ambulance activities.

Solid Waste Enterprise Fund – This fund is used to account for solid waste activities.

Stormwater Enterprise Fund – This fund is used to account for the activity related to the Town’s efforts to comply with the Environmental Protection Agency’s mandates as well as waterways protection and flood prevention.

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

The following fiduciary fund types are reported:

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

The private-purpose trust fund is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion to be spent. The Town maintains a private purpose trust fund for several charitable trusts funds.

The agency fund is used to account for assets held in a purely custodial capacity.

D. Assets/Deferred Outflows, Liabilities/Deferred Inflows and Net Position or Equity

i. Deposits and Investments

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

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. governments or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (“MMDT”).

ii. Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. The Town bills property taxes on a quarterly basis. Quarterly payments are due on August 1, November 1, February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1 of the next fiscal year.

The Town is permitted under state law to levy property taxes up to 2.5% of the full and fair cash value of the property. In addition, the law limits the amount by which property tax assessments can be increased to 2.5% of the preceding year's assessment plus any new growth. An increase above the levy limits of Proposition 2 ½ may approved by a vote of the Town’s citizens.

iii. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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 \$10,000 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Equipment	5-15
Improvements	20-40
Infrastructure	40-50
Vehicles	5-15

iv. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town's governmental fund financial statements (balance sheet) reflect deferred inflows of resources for revenues that are not considered "available" and to reflect property taxes paid in advance of when they may be used. The enterprise fund financial statement of net position includes a deferred inflow of resources for revenues that may not be used as of the financial statement date. The government wide financial statements (statement of net position) reflect deferred inflows of resources for revenues that may not be used as of the financial statement date.

v. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows.

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be debt used to acquire capital assets.

Net position is reported as restricted when there is an externally imposed restriction on its use or it is limited by enabling legislation.

Fund Financial Statements (Fund Balances)

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires that the Town report fund balance amounts within one of the fund balance categories listed below.

1. **Nonspendable**, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund),

2. **Restricted**, constraints are placed on the use of resources that can be spent only for the specific purposes that are either (a) imposed by creditors, grantors or contributors, or (b) imposed by law through constitutional provisions or through enabling legislation,

3. **Committed**, includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Selectmen and/or Town meetings (the Town’s highest level of decision-making authority),

4. **Assigned**, intended (by the Board of Selectmen, Town Administrator or Town Accountant) to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed, and

5. **Unassigned**, the residual classification for the government’s general fund and includes all spendable amounts not contained in the restricted, committed or assigned categories. Only the general fund may have a positive unassigned fund balance.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the Town's balance sheet.

	<u>General Fund</u>	<u>Economic Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balances:				
Restricted for:				
General Government	\$ -	\$ -	\$ 1,694,042	\$ 1,694,042
Public Safety	-	-	87,056	87,056
Highways and Public Works	-	-	76,419	76,419
Human Services	-	-	123,127	123,127
Culture and Recreation	-	-	272,222	272,222
Debt Service	180,166	-	-	180,166
Total Restricted:	<u>180,166</u>	<u>-</u>	<u>2,252,866</u>	<u>2,433,032</u>
Committed to:				
General Government	302,206	2,858,301	-	3,160,507
Public Safety	531,698	-	-	531,698
Highways and Public Works	64,427	-	-	64,427
Human Services	887	-	-	887
Culture and Recreation	12,571	-	17,281	29,852
Capital Outlay	246,414	-	-	246,414
Free Cash	282,630	-	-	282,630
Total Committed:	<u>1,440,833</u>	<u>2,858,301</u>	<u>17,281</u>	<u>4,316,415</u>
Assigned to:				
General Government	150,307	-	29,802	180,109
Public Safety	18,168	-	68,742	86,910
Highways and Public Works	1,598	-	7,080	8,678
Human Services	480	-	8,490	8,970
Culture and Recreation	-	-	21,218	21,218
Employee Benefits	33,768	-	-	33,768
Total Assigned:	<u>204,321</u>	<u>-</u>	<u>135,332</u>	<u>339,653</u>
Unassigned	<u>3,908,774</u>	<u>(25,080)</u>	<u>(487,109)</u>	<u>3,396,585</u>
Total Fund Balances	<u>\$ 5,734,094</u>	<u>\$ 2,833,221</u>	<u>\$ 1,918,370</u>	<u>\$ 10,485,685</u>

Stabilization Fund

The Town has established a stabilization fund in accordance with Massachusetts General Laws Chapter 40 Section 5B. That section of the law stipulates that "cities, towns and districts may appropriate in any year an amount not exceeding, in the aggregate, 10 per cent of the amount raised in the preceding fiscal year by taxation of real estate and tangible personal property or such larger amount as may be approved by the director of accounts. The aggregate amount in such funds at any time shall not exceed 10 per cent of the

equalized valuation of the city or town as defined in section 1 of chapter 44. Any interest shall be added to and become part of the fund”.

“The treasurer shall be the custodian of all such funds and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, co-operative banks or trust companies organized under the laws of the commonwealth, or invest the same in such securities as are legal for the investment of funds of savings banks under the laws of the commonwealth or in federal savings and loans associations situated in the commonwealth”.

“At the time of creating any such fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation an approved school project under chapter 70B or any other purpose for which the city, town or district may lawfully borrow money. Such specification and any such alteration of purpose, and any appropriation of funds into or out of any such fund, shall be approved by two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C, in a town or district any such vote shall be taken at an annual or special town meeting and in a city any such vote shall be taken by city council”.

The Town’s stabilization fund has a current balance of \$1,262,993. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the audited balance sheet, in accordance with the GASB 54 requirements.

vi. Compensated Absences

The vacation and sick leave policies of the Town vary between some of the departments because of various agreements.

In general, vacation eligibility and time for Town employees is as follows:

12 months service as of July 1st..... 2 weeks
5 years service as of July 1st..... 3 weeks
20 years service as of July 1st..... 4 weeks

All permanent employees are entitled to sick leave benefits not to exceed fifteen days per year.

The accumulated compensated absences balance as of June 30, 2014, is reflected in the accompanying financial statements.

vii. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and in the fund financial statements for proprietary fund types.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

viii. Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ix. Warrants Payable

The balance in this account consists of those warrants approved by the Selectmen for payment between July 1 and July 15. These warrants have been recorded as expenditures during the fiscal year ended June 30, 2014 and the corresponding credit is to the account entitled warrants payable.

x. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

II. **Stewardship, Compliance and Accountability**

A. Budgetary Data

i. General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until May, which is when the annual Town meeting is held, to make any changes to the department requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval. The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. Estimated bills (based on the prior year) are due on August 1 and November 1. Actual bills are mailed after the tax rate has been set and are due on February 1 and May 1.

ii. Budget Basis of Accounting

The budget amounts appearing in the financial statements are taken from the Town's annual recap sheet and include only those amounts which pertain to fiscal year 2014. These budget amounts include special Town meeting votes and any

reserve fund transfers authorized by the Finance Committee. The following reconciliation summarizes the differences between the budget basis and Generally Accepted Accounting Principles basis principles (fund financial statements) for the year ended June 30, 2014.

	<u>Revenues</u>
As Reported Budget Basis	\$ 21,574,622
Adjustments:	
Sixty Day Property Tax Accrual - Net	(113,176)
Earning on Investments for Stabilization Fund	
Reported in Statement of Revenues, Expenditures, and	
Changes in Fund Balances	31,667
On Behalf Payments Included in Intergovernmental	4,263,585
As Reported GAAP Statement	<u><u>\$ 25,756,698</u></u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 19,896,832
Adjustments:	
July 1, 2013 Encumbrances	139,936
June 30, 2014 Encumbrances	(191,865)
On Behalf Payments Included in Employee Benefits	4,263,585
As Reported GAAP Statement	<u><u>\$ 24,108,488</u></u>

B. Ayer School Department Regionalization

Effective July 1, 2011, the Town of Ayer entered into an agreement with the Town of Shirley to form the Ayer/Shirley Regional School District. The District is comprised of the public school students who reside in Ayer and Shirley who are attending grades Pre-Kindergarten through grade twelve.

The creation of the new regional school district has had an impact on the Town’s financial statements, especially when comparing financial data from year to year (pre and post regionalization). The fiscal year 2014, 2013 and 2012 general fund education expenditures are assessments paid to the Regional School District, whereas the 2011 (and prior) general fund expenditures included salaries and vendor expenditures. In addition, the revenues and expenditures related to the school special revenue funds (grants, revolving funds...), capital project funds and trust funds are reported as revenues and expenditures of the Ayer/Shirley Regional School District and are no longer included in the Town’s financial statements.

In addition, the Town became a member of the Nashoba Regional Technical School effective July 1, 2013. In the past, the Town paid “tuitions” for its students attending the School. As a member of the Regional School District, the Town assessment was far less than the tuition paid in fiscal year 2013.

III. Detailed Notes on All Funds

A. Cash and Investments

Deposits

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2014, \$172,306 of the Town's bank balance of \$12,648,645 was exposed to credit risk.

Uninsured and Uncollateralized \$ 172,306

Investments

According to GASB Statement No. 40 – "Deposit and Investment Risk Disclosures", disclosures must be made for certain investments that have fair values that are highly sensitive to changes in interest rates. As of June 30, 2014, the Town of Ayer, Massachusetts's investments that are required to be disclosed in accordance with GASB Statement No. 40, are noted below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>
Debt Related Securities:				
U. S. Government Obligations	\$ 1,087,714	\$ -	\$ 1,087,714	\$ -
Corporate Bonds	<u>302,917</u>	<u>50,685</u>	<u>227,320</u>	<u>24,912</u>
Total Debt Related Securities	<u>1,390,631</u>	<u>\$ 50,685</u>	<u>\$ 1,315,034</u>	<u>\$ 24,912</u>

Investment Type

Other Investments:

Money Market Funds	683,255
Equities	637,832
Mass. Municipal Depository Trust	<u>283,378</u>
Total Other Investments	<u>1,604,465</u>

Total Investments \$ 2,995,096

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have a formal policy relating to credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a formal policy that limits the amount it may invest in a single issuer.

B. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 3,150,878	\$ -	\$ -	\$ 3,150,878
Total Capital Assets Not Being Depreciated	<u>3,150,878</u>	<u>-</u>	<u>-</u>	<u>3,150,878</u>
Assets Being Depreciated:				
Buildings	21,093,046	3,230	-	21,096,276
Improvements Other Than Buildings	416,781	-	-	416,781
Infrastructure	6,115,808	58,000	-	6,173,808
Equipment	601,825	111,800	-	713,625
Vehicles	2,640,384	262,450	(224,700)	2,678,134
Total Capital Assets Being Depreciated	<u>30,867,844</u>	<u>435,480</u>	<u>(224,700)</u>	<u>31,078,624</u>
Less Accumulated Depreciation for:				
Buildings	(9,363,382)	(507,549)	-	(9,870,931)
Improvements Other Than Buildings	(185,468)	(20,839)	-	(206,307)
Infrastructure	(4,688,426)	(43,955)	-	(4,732,381)
Equipment	(495,905)	(52,130)	-	(548,035)
Vehicles	(2,072,371)	(142,080)	209,855	(2,004,596)
Total Accumulated Depreciation	<u>(16,805,552)</u>	<u>(766,553)</u>	<u>209,855</u>	<u>(17,362,250)</u>
Capital Assets Being Depreciated, Net	<u>14,062,292</u>	<u>(331,073)</u>	<u>(14,845)</u>	<u>13,716,374</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,213,170</u>	<u>\$ (331,073)</u>	<u>\$ (14,845)</u>	<u>\$ 16,867,252</u>

Depreciation expense was charged to functions as follows:

Government Activities:	
General Government	\$ 106,975
Public Safety	373,797
Education	83,707
Highways and Public works	115,071
Culture and Recreation	<u>87,003</u>
Total Governmental Activities Depreciation Expense	<u>\$ 766,553</u>

B. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Land	\$ 443,729	\$ -	\$ -	\$ 443,729
Construction in Progress	1,166,694	1,894,945	(589,283)	2,472,356
Total Capital Assets not Being Depreciated	<u>1,610,423</u>	<u>1,894,945</u>	<u>(589,283)</u>	<u>2,916,085</u>
Assets Being Depreciated:				
Buildings	5,034,660	17,600	-	5,052,260
Infrastructure	29,979,753	1,334,165	-	31,313,918
Equipment	1,200,592	25,505	-	1,226,097
Vehicles	882,863	-	(35,000)	847,863
Total Capital Assets Being Depreciated	<u>37,097,868</u>	<u>1,377,270</u>	<u>(35,000)</u>	<u>38,440,138</u>
Less Accumulated Depreciation for:				
Buildings	(1,323,524)	(149,967)	-	(1,473,491)
Infrastructure	(15,564,077)	(573,880)	-	(16,137,957)
Equipment	(386,399)	(121,256)	-	(507,655)
Vehicles	(605,686)	(98,284)	35,000	(668,970)
Total Accumulated Depreciation	<u>(17,879,686)</u>	<u>(943,387)</u>	<u>35,000</u>	<u>(18,788,073)</u>
Capital Assets Being Depreciated, Net	<u>19,218,182</u>	<u>433,883</u>	<u>-</u>	<u>19,652,065</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,828,605</u>	<u>\$ 2,328,828</u>	<u>\$ (589,283)</u>	<u>\$ 22,568,150</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Sewer	\$ 540,293
Water	286,472
Solid Waste	60,252
Ambulance	46,796
Stormwater	9,574
Total Business-Type Activities Depreciation Expense	<u>\$ 943,387</u>

C. Accounts Receivable

The accounts receivable on the statement of net position are listed below by levy.

Governmental Activities

Property Taxes Receivable:

Real Estate Taxes

2014	\$ 337,116	
2013	59,653	
2012	7,493	
2011	9,611	
2010	7,928	
2009	753	
2008	2,014	
2007	3,358	
2006	50	
2005	877	
2004	1,416	
2003	1,967	
2002	2,444	
2001 & Prior	431	
Total Real Estate Taxes		<u>\$435,111</u>

Personal Property Taxes

2014	10,518	
2013	5,906	
2012	9,087	
2011	7,579	
2010	8,212	
2009	9,719	
2008	12,004	
2001 & Prior	212	
Total Personal Property Taxes		<u>63,237</u>

Community Preservation Tax

2014	3,948	
2013	700	
2012	163	
2011	96	
2010	84	
2009 & Prior	316	
Total Community Preservation Taxes		<u>5,307</u>

Total Property Taxes Receivable \$ 503,655

C. Accounts Receivable (Continued)

Tax Liens	<u>\$ 268,022</u>
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Excise Taxes Receivable:

Motor Vehicle Excise Taxes

2014	\$ 119,634	
2013	20,395	
2012	11,882	
2011	13,614	
2010	13,865	
2009	11,391	
2008	11,407	
2007	10,776	
2006	9,678	
2005	6,563	
2004	9,019	
2003 & Prior	194	
Total Motor Vehicle Excise Taxes	<u>\$ 238,418</u>	

Departmental:

National Grid Credit	\$ 3,225	
Police Details	1,476	
Industrial	11,727	
Total Departmental	<u>\$ 16,428</u>	

Due from Others:

Mart	\$ 11,245	
Due from Other District	15,107	
Due from Developers	55,035	
Insurance Company	13,067	
Hartnet Life Insurance	45,833	
Total Due from Others	<u>\$ 140,287</u>	

Loans Receivable:

Economic Development Loans	<u>\$ 879,271</u>
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Intergovernmental:

Due from Commonwealth of Mass. - Other	\$ 865	
Due from Devens Enterprise Commission	1,147	
Due from Federal Government	3,845	
Due from Commonwealth - Highway Funds	362,426	
Total Intergovernmental	<u>\$ 368,283</u>	

C. Accounts Receivable (Continued)

Business Type Activities

User Charges:

Sewer	\$885,251	
Water	523,815	
Ambulance	95,406	
Total User Charges	<u> </u>	<u><u>\$ 1,504,472</u></u>

Due from Others:

Due from Developer		<u><u>\$ 202,000</u></u>
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Intergovernmental:

Due from Commonwealth of Mass.	\$ 40,000	
Due from Devens Enterprise Commission	746	
	<u> </u>	<u><u>\$ 40,746</u></u>

D. Liabilities

i Bond Anticipation Notes Payable

The Town has various bond anticipation notes outstanding as of June 30, 2014 as follows:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>Governmental Activities:</u>						
Town Hall Carpet	\$ 16,571	\$ 16,571	\$ 16,571	\$ 16,571	1.0%	6/26/2015
Police Security Entrance	30,000	25,095	30,000	25,095	1.0%	6/26/2015
Fire Service Truck	37,734	37,734	37,734	37,734	1.0%	6/26/2015
DPW Dump Truck	164,771	164,771	164,771	164,771	1.0%	6/26/2015
DPW Street Signs	43,603	32,141	43,603	32,141	1.0%	6/26/2015
Computer Network Upgrades	-	10,000	-	10,000	1.0%	6/26/2015
Police Administration Vehicle	-	25,928	-	25,928	1.0%	6/26/2015
Fire Engine #4 Rehabilitation	-	121,382	-	121,382	1.0%	6/26/2015
Fire Chief Vehicle	-	43,814	-	43,814	1.0%	6/26/2015
DPW Asphalt/Recycling Mixer	-	19,850	-	19,850	1.0%	6/26/2015
Parks Departmental Equipment (Tractor)	-	16,550	-	16,550	1.0%	6/26/2015
Subtotal	<u>\$ 292,679</u>	<u>\$ 513,836</u>	<u>\$ 292,679</u>	<u>\$ 513,836</u>		

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>Business-Type Activities:</u>						
Water - Valve Replacement	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	1.0%	6/26/2015
Water - Main Transmission	75,000	75,000	75,000	75,000	1.0%	6/26/2015
Water - Utility Truck	64,575	64,575	64,575	64,575	1.0%	6/26/2015
Sewer - W. Main Pump Station	450,000	450,000	450,000	450,000	1.0%	6/26/2015
Sewer - #3 RAS Pump & Controls Replacement	24,344	24,344	24,344	24,344	1.0%	6/26/2015
Sewer - Hydro-Jetter	78,042	78,042	78,042	78,042	1.0%	6/26/2015
Solid Waste - Dump Truck with Plow	48,358	48,358	48,358	48,358	1.0%	6/26/2015
Sewer - Planning	-	100,000	-	100,000	1.0%	6/26/2015
Sewer - Additional Meter Radio Read System	-	31,922	-	31,922	1.0%	6/26/2015
Water - Spectacle Pond Filter Valve replacement	-	50,000	-	50,000	1.0%	6/26/2015
Water - 6" Bronze Clay Valve Replacement	-	37,801	-	37,801	1.0%	6/26/2015
Stormwater - Victor Drive Culvert Replacement	-	150,000	-	150,000	1.0%	6/26/2015
Ambulance Enterprise - Computer Software	-	27,000	-	27,000	1.0%	6/26/2015
Total	<u>\$ 782,319</u>	<u>\$ 1,179,042</u>	<u>\$ 782,319</u>	<u>\$ 1,179,042</u>		

D. Liabilities

ii Long Term Debt

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 are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 20 years. General obligation bonds outstanding at June 30, 2014 are as follows:

(a) General Obligation Bonds Outstanding at June 30, 2014

Governmental Activities:

<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturities</u>	<u>Final Maturity</u>	<u>Balance July 1, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2014</u>
Library Expansion	12/1/1996	900,000	4.875%	2014	\$ 50,000	\$ -	\$ 50,000	\$ -
Fire Station Remodeling	4/1/2002	150,000	4.3% - 5.1%	2021	60,000	-	7,500	52,500
Town Hall Remodeling	4/1/2002	150,000	4.3% - 5.1%	2021	63,000	-	8,000	55,000
Fire Station Land Acquisition	4/1/2002	350,000	4.3% - 5.1%	2021	140,000	-	17,500	122,500
Town Hall Remodeling	4/1/2002	1,997,000	4.3% - 5.1%	2021	840,000	-	105,000	735,000
Title V Loan	2/1/2004	66,248	3.3% - 5.25%	2021	29,492	-	3,677	25,815
Land Acquisition (Fire Station)	6/15/2004	150,000	3.3% - 5.25%	2014	15,000	-	15,000	-
Parking Building	6/15/2004	190,000	3.0% - 5.0%	2023	100,000	-	10,000	90,000
New Fire Station	6/15/2004	2,244,168	3.0% - 5.0%	2024	1,232,000	-	112,000	1,120,000
Fire Station (IE)	6/15/2004	4,153,900	3.0% - 5.0%	2024	2,070,000	-	230,000	1,840,000
Town Hall Roof Replacement	5/12/2008	445,277	3.0% - 5.0%	2020	300,000	-	40,000	260,000
Fire Station Additional Borrow	5/12/2008	80,000	3.0% - 4.5%	2020	55,000	-	5,000	50,000
DPW Admin- HVAC Upgrade	5/12/2008	46,100	3.0% - 4.5%	2017	20,000	-	5,000	15,000
Schools - Exterior Doors	5/12/2008	36,264	3.0% - 4.5%	2016	12,750	-	4,250	8,500
Schools - Gym Partition	5/12/2008	6,196	3.0% - 4.5%	2016	2,250	-	750	1,500
Partial HVAC Renovations	5/12/2008	30,000	3.0% - 4.5%	2014	5,000	-	5,000	-
Hilltop Roof Replacement	5/12/2008	118,159	3.0% - 5.0%	2020	70,000	-	10,000	60,000
School - HS Auditorium Lighting & Electric	5/12/2008	50,000	3.0% - 5.0%	2018	25,000	-	5,000	20,000
High School Auditorium Wiring (I)	6/15/2010	25,000	2.0% - 2.125%	2014	6,000	-	6,000	-
High School Gym Backboards (I)	6/15/2010	12,000	2.0% - 2.125%	2014	3,000	-	3,000	-
School Computers (I)	6/15/2010	175,000	2.0% - 2.125%	2015	60,000	-	30,000	30,000
Fire Protective Clothing (I)	6/15/2010	14,000	2.0% - 2.125%	2014	3,000	-	3,000	-
Library Carpet Replacement (I)	6/15/2010	50,000	2.0% - 2.125%	2014	12,000	-	12,000	-
Highway Pickup Truck (I)	6/15/2010	51,000	2.0% - 2.125%	2014	12,000	-	12,000	-
Police Cruiser	6/15/2010	29,000	2.0% - 2.125%	2015	11,000	-	6,000	5,000
Police Station	3/10/2011	996,000	4.3% - 5.1%	2021	648,500	-	167,500	481,000
Town Hall Remodeling	3/10/2011	68,500	4.3% - 5.1%	2021	48,500	-	10,000	38,500
Town Hall Remodeling	3/10/2011	48,000	4.3% - 5.1%	2021	34,000	-	6,500	27,500
Fire Pumper	3/10/2011	279,000	4.3% - 5.1%	2014	15,000	-	15,000	-
School Roof	3/10/2011	352,000	2.0% - 3.0%	2020	262,000	-	45,000	217,000
Total Governmental Activities					\$ 6,204,492	\$ -	\$ 949,677	\$ 5,254,815

D. Liabilities

Business Type Activities:

<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturities</u>	<u>Final Maturity</u>	<u>Balance July 1, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2014</u>
Sewer Oakridge Dr.	12/1/1996	370,000	4.875%	2014	\$ 25,000	\$ -	\$ 25,000	\$ -
Water Standpipe (Fy96)	12/1/1996	600,000	4.875%	2014	40,000	-	40,000	-
Water Bond Dept of Agriculture	1/15/1998	1,851,000	4.875%	2015	217,766	-	108,882	108,884
Sewer III	4/1/2002	126,000	4.3% - 5.1%	2021	49,000	-	7,000	42,000
Sewer	4/1/2002	365,000	4.3% - 5.1%	2021	152,000	-	19,000	133,000
Water	4/1/2002	982,000	4.3% - 5.1%	2021	386,000	-	51,000	335,000
Water Landfill	4/1/2002	1,200,000	4.3% - 5.1%	2021	54,872	-	7,354	47,518
Solid Waste Landfill	4/1/2002	1,200,000	4.3% - 5.1%	2021	430,128	-	57,646	372,482
Sewer 2 (I) - repair	6/15/2004	50,000	3.0% - 5.0%	2014	5,000	-	5,000	-
Sewer Extension - Fitchburg Rd Ext.	6/15/2004	50,000	3.0% - 5.0%	2014	5,000	-	5,000	-
Sewer Groveland St. Extension	6/15/2004	100,000	3.0% - 5.0%	2024	55,000	-	5,000	50,000
Sewer Extension 2	6/15/2004	192,000	3.0% - 5.0%	2024	105,600	-	9,600	96,000
Sewer Wastewater Treatment Plant	6/15/2004	5,035,500	3.0% - 5.0%	2024	2,746,400	-	250,400	2,496,000
Sewer - Fitchburg Rd Ext Add'l	6/15/2004	38,500	3.0% - 5.0%	2023	20,000	-	2,000	18,000
Water - Spec Pond Well	6/15/2004	200,000	3.0% - 5.0%	2024	110,000	-	10,000	100,000
Water Replace Grove Rd Well	6/15/2004	210,000	3.0% - 5.0%	2024	111,000	-	11,000	100,000
Water Landfill Closure (O)	6/15/2004	60,000	3.0% - 5.0%	2024	15,000	-	5,000	10,000
Ambulance	6/15/2004	145,000	3.0% - 5.0%	2014	10,000	-	10,000	-
Sewer MWPAT (Subsidized)	11/19/2004	267,932	4.5% - 5.75%	2020	105,000	-	15,000	90,000
Sewer System Rehab	5/12/2008	50,000	3.0% - 5.0%	2018	25,000	-	5,000	20,000
Water Grove Pond Well #2 Replacement	5/12/2008	210,000	3.0% - 5.0%	2020	160,000	-	20,000	140,000
Water Scada System	5/12/2008	80,000	3.0% - 4.5%	2016	30,000	-	10,000	20,000
Water Spec Pond Well#2 Replacement	5/12/2008	142,000	3.0% - 5.0%	2020	105,000	-	15,000	90,000
Sewer Tractor Trailer	6/15/2010	130,000	2.0% - 5.0%	2020	91,000	-	13,000	78,000
Sewer Pump Station - Central Ave.	6/15/2010	1,011,000	2.0% - 5.0%	2023	852,000	-	55,000	797,000
Sewer Replace Primary Clarifier Drive	6/15/2010	35,000	2.0% - 2.125%	2015	14,000	-	7,000	7,000
Sewer Groton School Rd	6/15/2010	30,000	2.0% - 2.125%	2015	12,000	-	6,000	6,000
Sewer Wastewater Treatment Plant	6/15/2010	25,000	2.0% - 2.125%	2015	10,000	-	5,000	5,000
Sewer	3/10/2011	200,000	2.0% - 2.5%	2017	41,000	-	11,000	30,000
Sewer Landfill Closure Sludge	3/10/2011	520,000	2.0% - 3.0%	2020	186,000	-	30,000	156,000
Sewer Equipment	6/28/2012	402,500	2.0% - 3.0%	2021	356,000	-	45,000	311,000
Sewer Pump Station	6/28/2012	250,000	2.0% - 3.0%	2021	222,000	-	28,000	194,000
Sewer Planning	6/28/2012	40,000	2.0% - 3.0%	2016	29,000	-	10,000	19,000
Sewer Computer Hardware and Software	6/28/2012	35,000	2.0% - 3.0%	2017	26,000	-	7,000	19,000
Sewer Spec Pond Dehumidifiers, Part of \$320,783	6/28/2012	30,000	2.0% - 3.0%	2021	24,653	-	4,801	19,852

D. Liabilities

Business Type Activities:

<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturities</u>	<u>Final Maturity</u>	<u>Balance July 1, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2014</u>
Ambulance	6/15/2010	75,000	2.0% - 2.125%	2015	30,000	-	15,000	15,000
Water Grove Pond Well (I)	6/15/2010	42,000	2.0% - 5.0%	2014	10,000	-	10,000	-
Water Grove Pond Treatment Plant (I)	6/15/2010	173,000	2.0% - 5.0%	2020	119,000	-	17,000	102,000
Water Scada System (O)	6/15/2010	142,000	2.0% - 5.0%	2019	56,000	-	28,000	28,000
Water Filter Media Replace (O)	6/15/2010	175,000	2.0% - 5.0%	2022	115,000	-	20,000	95,000
Water Grove Pond Well #3 Construction (O)	6/15/2010	70,000	2.0% - 5.0%	2020	52,000	-	6,000	46,000
Water Spectacle Pond Media Filter Replace (O)	6/15/2010	150,000	2.0% - 2.125%	2015	105,000	-	15,000	90,000
Water Backhoe Loader (I)	6/15/2010	110,000	2.0% - 5.0%	2020	70,000	-	10,000	60,000
Water Pickup With Plow (I)	6/15/2010	33,000	2.0% - 2.125%	2015	12,000	-	6,000	6,000
Water Drinking Water Treatment	3/10/2011	700,000	2.0% - 2.5%	2017	120,000	-	30,000	90,000
Water Wells And Water Treatment	3/10/2011	700,000	2.0% - 2.75%	2018	195,000	-	40,000	155,000
Sewer 3/4 ton pick-up w/plow, Part of #230,783	6/28/2012	33,241	2.0% - 3.0%	2021	27,317	-	5,319	21,998
Water Equipment	6/28/2012	55,000	2.0% - 3.0%	2017	40,000	-	10,000	30,000
Water Mains	6/28/2012	25,000	2.0% - 3.0%	2017	20,000	-	5,000	15,000
Water Sewer - W. Main Pump Station	6/28/2012	10,651	2.0% - 3.0%	2014	5,000	-	5,000	-
Water Equipment 2	6/28/2012	170,000	2.0% - 3.0%	2021	149,000	-	21,000	128,000
Water Treatment Plant	6/28/2012	1,063,066	2.0% - 3.0%	2032	1,005,000	-	55,000	950,000
Water Spec Pond Media Filter	6/28/2012	100,000	2.0% - 3.0%	2017	79,000	-	21,000	58,000
Water Meter	6/28/2012	30,000	2.0% - 3.0%	2017	24,000	-	6,000	18,000
Solid Waste Loader, Part of \$230,783	6/28/2012	143,139	2.0% - 3.0%	2021	117,845	-	22,949	94,896
Solid Waste Chipper, part of \$230,783	6/28/2012	24,519	2.0% - 3.0%	2021	20,186	-	3,931	16,255
Total Business Type Activities					\$ 9,197,767	\$ -	\$ 1,267,882	\$ 7,929,885

(b) Summary of Debt Service Requirements to Maturity

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$829,677	\$220,678	\$1,162,885	\$305,308
2016	786,677	189,274	1,012,000	267,059
2017	773,677	159,978	975,000	231,429
2018	613,677	129,618	880,000	195,513
2019	593,677	102,443	835,000	158,025
2020 - 2024	1,657,430	170,843	2,665,000	349,043
2025 - 2029	0	0	250,000	46,350
2030 - 2034	0	0	150,000	9,300
	<u>\$5,254,815</u>	<u>\$972,834</u>	<u>\$7,929,885</u>	<u>\$1,562,027</u>

D. Liabilities (Continued)

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2014, are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
May 14, 2012	DPW 6 Wheel Dump Truck W/Plow	\$167,000
May 14, 2012	Town Hall Carpeting & Tile	16,571
May 14, 2012	Fire Service Truck	43,000
May 14, 2012	Police Replace Station Security Entrance	25,095
May 14, 2012	Water 6" Bronze Valve Replacement Spec Pond	42,000
May 14, 2012	Water 1 Ton Cab and Chassis Utility Truck	69,000
May 14, 2012	Water Cross Country Main Transmission Engineering	75,000
May 14, 2012	Sewer #3 RAS Pump & Control Replacement	60,000
May 14, 2012	Sewer Hydro-Jetter	81,000
May 14, 2012	Sewer West Main Pump Station Construction	450,000
May 14, 2012	Solid Waste 1 Ton Dump Truck w/ Plow	50,000
May 14, 2012	Town-Wide Street Signs	32,141
May 18, 2013	Network Infrastructure Upgrades	10,000
May 18, 2013	Tractor with Front-End Loader	18,500
May 18, 2013	Replace Admin Vehicle	30,000
May 18, 2013	Replace Fire Chief Vehicle	45,000
May 18, 2013	Truck Mounted Asphalt/Recycling Mixer	20,000
May 18, 2013	Rehab Engine #4	121,382
May 18, 2013	Spectacle Pond Filter Valve Replacement	50,000
May 18, 2013	Water Meter Read Radio System Upgrade	37,801
May 18, 2013	WWTP Facility Engineering Evaluation	100,000
May 18, 2013	Sewer Meter Read Radio System Upgrade	31,923
May 18, 2013	Culvert Replacement - Victor Drive	150,000
May 18, 2013	Software and Laptops	27,000
May 12, 2014	Spectacle Pond Corrosion Equipment	50,000
May 12, 2014	Water Main Replacements	150,000
May 12, 2014	Meter Radio Read System	50,000
May 12, 2014	Cardiac Monitor	35,000
May 12, 2014	East Main Street Water Mains	895,089
May 12, 2014	East Main Street Sewer Mains	639,147
	Total	<u>\$ 3,571,649</u>

D. Liabilities

(d) Refunding of Long Term Debt

On March 10, 2011, the Town issued \$2,303,000 of General Obligations Refunding Bonds with an average interest rate of 2.35% to advance refund \$2,205,000 of outstanding debt with an average interest rate of 5.78%. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased.

<u>Fiscal Year</u>	<u>Existing Debt Principal & Interest</u>	<u>Refunding Bonds Principal & Interest</u>
2015	\$381,900	\$363,657
2016	365,620	346,538
2017	344,020	324,225
2018	127,810	116,475
2019	71,600	68,450
2020	<u>58,025</u>	<u>51,500</u>
	<u>\$1,348,975</u>	<u>\$1,270,845</u>

Economic Gain from Refunding Issue

The total net present value benefit as a result of the refunding issue is \$183,049.

iii Changes in the government's long-term liabilities for the year ended June 30, 2014 are as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
<u>Governmental Activities</u>					
Bonds Payable	\$ 6,204,492	\$ -	\$ (949,677)	\$ 5,254,815	\$ 829,677
Compensated Absences	275,509	79,120	(55,102)	299,527	-
Other Post Employment Benefits	<u>5,122,772</u>	<u>175,344</u>	<u>-</u>	<u>5,298,116</u>	<u>-</u>
Total Governmental Activities	<u>\$ 11,602,773</u>	<u>\$ 254,464</u>	<u>\$ (1,004,779)</u>	<u>\$ 10,852,458</u>	<u>\$ 829,677</u>
<u>Business Type Activities</u>					
Bonds Payable	\$ 9,197,767	\$ -	\$ (1,267,882)	\$ 7,929,885	\$ 1,162,885
Compensated Absences	19,243	2,697	(3,849)	18,091	-
Landfill Liabilities	906,449	-	(8,368)	898,081	22,000
Other Post Employment Benefits	<u>190,317</u>	<u>35,575</u>	<u>-</u>	<u>225,892</u>	<u>-</u>
Total Business Type Activities	<u>\$ 10,313,776</u>	<u>\$ 38,272</u>	<u>\$ (1,280,099)</u>	<u>\$ 9,071,949</u>	<u>\$ 1,184,885</u>

E. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds. Operating transfers made during the year and reflected in the fund financial statements are listed below:

<u>Fund Financial Statements</u>	<u>Transfer In</u>	<u>Transfer (Out)</u>	<u>Total</u>
General	\$ -	\$ (1,221,650)	\$ (1,221,650)
Economic Development	550,000	-	550,000
Enterprise - Business Type	501,650	-	501,650
Fiduciary	170,000	-	170,000
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,221,650</u>	<u>\$ (1,221,650)</u>	<u>\$ -</u>

IV. Other Information

A. Pension Plans

a. Plan Description

The Town provides pension benefits to employees by contributing to Middlesex Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

b. Funding Plan

Active members of the Middlesex Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contributions for the years ending June 30, 2014, 2013 and 2012 were \$1,262,630, \$1,107,165 and \$1,058,730 respectively, equal to 100% of the required contribution each year.

B. Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. These statements require the town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information, which is required to be disclosed by GASB 45, is noted below. In addition, certain other Required Supplementary Information (RSI) required by GASB 45 is presented following the notes to the financial statements.

Plan Description. An employee shall become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service. Public Safety employees (group 4) shall be able to retire with 20 years of service regardless of age. The Town is part of the Minuteman Group which offers several health plans. The Town provides certain health care and life insurance benefits for eligible retirees and their spouses. Benefits paid by the Town are on a pay-as-you-go basis. Currently there are approximately 83 active employees and 178 retired employees who are eligible to participate in the plan.

Funding Policy. Retirees shall pay 50% of stated premiums for medical and life insurance and 100% of premiums for dental insurance. Benefits paid by the Town are on a pay-as-you-go basis.

Annual OPEB Cost and OPEB Obligation. The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the Town, an amount that has been actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the fiscal year ended June 30, 2014, the amount actually contributed to the plan, and the Town's Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$1,377,714
Interest on Net OPEB Obligation	212,524
Adjustment to Annual Required Contribution	(295,439)
Amortization of Actuarial (Gains)/Losses	(381,494)
Annual OPEB Cost (Expense)	913,305
Employer Contributions and Implicit Subsidy	(702,386)
Contribution to OPEB Trust	-
Total Contributions Made	(702,386)
Increase in Net OPEB Obligation	210,919
Net OPEB Obligation (NOO)- Beginning of Year	5,313,089
Net OPEB Obligation (NOO)- End of Year	\$5,524,008

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for recent years are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	\$1,935,542	38%	\$4,973,814
2013	\$887,669	62%	\$5,313,089
2014	\$913,305	77%	\$5,524,008

Funded Status and Funding Progress. As of June 30, 2014, no funding to the plan has been made. The Actuarial Accrued Liability (AAL) for benefits was \$11,506,560, and the actuarial value of assets was \$10,016, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$11,496,544.

The July 1, 2012 actuarial valuation reflected a significant reduction in the UAAL (as well as net OPEB cost) from the July 1, 2010 actuarial valuation. The actuarial report identifies several reasons for the reduction including: *“Plan experience was far more favorable than expected. This is mainly due to the regionalization of the schools (only school retirees remain) as well as a significant reduction in medical premiums. The actuarial experience gain is amortized into the annual OPEB costs over a 30-year period. The net impact of the plan experience is a large decrease in the annual OPEB cost.”*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (the same percentage used in the previous valuation) and an annual healthcare cost trend rate of 7.0 percent initially, reduced by decrements of 1.0 percent to an ultimate rate of 5.0 percent (9.0 percent, reduced by decrements of 1.0 percent to an ultimate rate of 5.0 percent in the previous valuation). The actuarial value of the assets is determined using market value. The UAAL is being amortized over a thirty year amortization period.

C. On Behalf Payments

In accordance with Governmental Accounting Standards Board Statement Number 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance", the Town is required to recognize, as income, certain payments made on behalf of the Town by the Commonwealth. Specifically, the Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board (the "State Plan") on behalf of the Town's teaching employees; the Town is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth.

For the fiscal year ended June 30, 2014, the Commonwealth paid \$4,263,585 to the State Plan on behalf of employees of the Town. Accordingly, the accompanying financial statements include the required adjustments, which have increased by the same amount the intergovernmental revenues and education expenditures in the fund financial statements and the education program revenues and education expenditures in the governmental wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2014 or fund balances at June 30, 2014.

D. Subsequent Year Authorizations

The Town adopted a fiscal 2014 operating and capital budget of \$29,837,233. Fiscal 2015 budgetary amounts will be financed by the following sources:

Property Taxes, State Aid and Non-Property Tax Revenue	\$ 22,376,673
Enterprise Fund Revenues and Available Funds	5,340,074
Other Available Funds	147,178
Community Preservation Fund	277,882
General Fund - Unassigned Fund Balance	605,796
General Fund - Committed Fund Balance	1,089,630
	\$ 29,837,233

E. Landfill Closure and Postclosure Care Cost

a. Sludge Landfill

State and federal regulations require that sludge landfill closures meet certain standards. Generally accepted accounting principles require recognition of a liability for closures and postclosure costs based on the landfill capacity used to date. The sludge landfill capacity used to date is 100%. The closure date of the landfill was 1990. The estimated cost of monitoring the landfill is reflected in the sewer enterprise fund.

b. Solid Waste Landfill

State and federal regulations require that solid waste landfill closures meet certain standards. Generally accepted accounting principles require recognition of a liability for closure and postclosure costs based on the landfill capacity used to date. The landfill capacity used to date is 100%. The estimated cost of monitoring the landfill is recorded in the solid waste enterprise fund.

F. Significant Commitments

Encumbrances

Encumbrances for open purchases are reported as Assigned Fund Balance unless the resources have already been restricted, committed or assigned for another purpose. The assigned fund balance in the general fund includes \$87,076 related to encumbrances.

G. Pending Litigation

Management does not believe that the outcome of any pending litigation will have a material impact on the Town's financial position.

H. Implementation of New GASB Pronouncements

During fiscal year 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. The implementation of this pronouncement required reporting deferred inflows and deferred outflows of resources.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented in fiscal year 2015.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements. Management's current assessment is that GASB Statement #68 will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Middlesex County Retirement System's actuarially accrued liability.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Ayer, Massachusetts
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>Revenues</u>				
Property Taxes	\$ 18,641,690	\$ 18,641,690	\$ 18,777,343	\$ 135,653
Tax Liens	-	-	140,765	140,765
Excises	810,000	810,000	1,130,092	320,092
Penalties and Interest	69,000	69,000	152,517	83,517
Licenses and Permits	218,000	218,000	205,168	(12,832)
Fees and Other Departmental	128,000	128,000	156,965	28,965
Intergovernmental	837,190	837,190	947,409	110,219
Fines and Forfeits	18,000	18,000	3,854	(14,146)
Earnings on Investments	18,000	18,000	12,220	(5,780)
In Lieu of Taxes	8,000	8,000	18,814	10,814
Miscellaneous	12,000	12,000	29,475	17,475
Total Revenues	<u>20,759,880</u>	<u>20,759,880</u>	<u>21,574,622</u>	<u>814,742</u>
<u>Expenditures</u>				
General Government	1,816,383	1,842,940	1,721,785	121,155
Public Safety	3,388,747	3,401,147	3,345,840	55,307
Education	9,706,882	9,706,882	9,706,882	-
Highway and Public Works	1,033,430	1,033,430	1,113,542	(80,112)
Health and Human Services	352,807	352,807	307,990	44,817
Culture and Recreation	597,234	602,611	602,004	607
Intergovernmental	84,329	84,329	88,390	(4,061)
Employee Benefits	1,967,222	1,971,888	1,814,059	157,829
Debt Service	1,265,100	1,265,100	1,196,340	68,760
Total Expenditures	<u>20,212,134</u>	<u>20,261,134</u>	<u>19,896,832</u>	<u>364,302</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>547,746</u>	<u>498,746</u>	<u>1,677,790</u>	<u>1,179,044</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	97,890	146,890	141,559	(5,331)
Transfers Out	(1,456,077)	(1,456,077)	(1,456,077)	-
Other Available Funds	152,067	152,067	152,067	-
Budgetary Fund Balance - Uses	(132,496)	(132,496)	(132,496)	-
Free Cash	790,870	790,870	790,870	-
Total Other Financing Sources (Uses)	<u>(547,746)</u>	<u>(498,746)</u>	<u>(504,077)</u>	<u>(5,331)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,173,713</u>	<u>\$ 1,173,713</u>

Middlesex Retirement System
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/1996	\$ 373,750,361	\$ 634,920,488	\$ 261,170,127	58.87%	\$ 218,345,024	119.61%
1/1/1998	476,708,969	763,093,878	286,384,909	62.47%	215,380,186	132.97%
1/1/2000	570,263,467	905,280,472	335,017,005	62.99%	253,228,818	132.30%
1/1/2002	599,699,143	1,020,828,178	421,129,035	58.75%	280,740,439	150.01%
1/1/2004	618,163,380	1,223,828,127	605,664,747	50.51%	306,025,949	197.91%
1/1/2006	653,156,866	1,364,582,969	711,426,103	47.86%	330,999,861	214.93%
1/1/2008	774,863,669	1,529,806,307	754,942,638	50.65%	360,206,302	209.59%
1/1/2010	819,987,914	1,743,581,707	923,593,793	47.03%	384,933,571	239.94%
1/1/2012	862,323,395	1,974,144,909	1,111,821,514	43.68%	393,100,995	282.83%
1/1/2014	967,146,018	2,195,732,452	1,228,586,434	44.05%	415,752,810	295.51%

Middlesex Retirement System
 Required Supplementary Information
 Schedule of Employer's Contribution

Plan Year Ended December 31	System Wide			Town of Ayer	
	Annual Required Contributions	Actual Contributions (A)	Percentage Contributed	Actual Contributions (B)	Town's Percentage of System Wide Actual Contributions (B/A)
2004	\$ 52,902,366	\$ 52,902,366	100.00%	\$ 682,731	1.29%
2005	52,298,150	52,298,150	100.00%	747,209	1.43%
2006	60,169,717	60,169,717	100.00%	825,432	1.37%
2007	64,664,829	64,664,829	100.00%	944,751	1.46%
2008	72,050,318	72,050,318	100.00%	1,023,998	1.42%
2009	78,212,121	78,212,121	100.00%	1,117,653	1.43%
2010	76,146,963	76,146,963	100.00%	1,177,119	1.55%
2011	78,662,214	78,662,214	100.00%	1,228,614	1.56%
2012	81,933,488	81,933,448	100.00%	1,058,730	1.29%
2013	88,287,112	88,287,112	100.00%	1,107,165	1.25%

Town of Ayer, Massachusetts
 Required Supplementary Information - GASB 45
 Schedule of Funding Progress
 Fiscal Year Ended June 30, 2014

Projected Unit Credit, Pay-As-You-Go Assumptions (4.00%)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
7/1/2008	\$0	\$20,228,087	\$20,228,087	0%	\$12,039,400	168%
7/1/2010	\$0	\$19,831,765	\$19,831,765	0%	N/A	N/A
7/1/2012	\$10,016	\$11,506,560	\$11,496,544	0.1%	\$4,390,480	262%

The July 1, 2012 actuarial valuation reflected a significant reduction in the UAAL (as well as net OPEB costs) from the July 1, 2010 actuarial valuation. The actuarial report identifies several reasons for the reduction including: *"Plan experience was far more favorable than expected. This is mainly due to the regionalization of the schools (only school retirees remain) as well as a significant reduction in medical premiums. The actuarial experience gain is amortized into the annual OPEB costs over a 30-year period. The net impact of the plan experience is a large decrease in the annual OPEB cost"*

Subsequent to the balance sheet date the Town made contributions and had earnings on the OPEB trust. The balance in the OPEB trust as of June 30, 2014 was \$237,287.

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Town of Ayer, Massachusetts
 Required Supplementary Information - GASB 45
 Valuation Details
 Fiscal Year Ended June 30, 2014

Valuation Date	July 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization of UAAL	Level Dollar Amortization
Remaining Amortization Period	26 years as of July 1, 2012
Asset Valuation Method	Market Value of the Plan's Assets

Actuarial Assumptions:

Discount Rate	4.00% Per Annum (same as previous valuation)
Medical/Drug Cost Trend Rate	7.0% graded to 5.0% (9.0% graded to 5.0% in previous valuation)

Plan Membership:

Current retirees, beneficiaries, and dependents	178
Current active members	<u>83</u>
Total	<u>261</u>

Town of Ayer, Massachusetts
Notes to the Required Supplementary Information
June 30, 2014

(A) Budgetary Information

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance. Encumbrances do not constitute expenditures or liabilities.

(B) Pension Plans

1. Plan Description

The Town provides pension benefits to employees by contributing to Middlesex Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

2. Funding Plan

Active members of the Middlesex Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Retirement System with the approval of the Public Employee Retirement Administration Commission.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the accrued liability for benefits. Additionally, a schedule of employer contributions is presented as required supplementary information. The schedules presented relate to the Middlesex Retirement System as a whole (of which the Town is one participating employer). The Town's data included should be helpful for understanding the scale of the information presented relative to the Town.

3. Actuarial Assumptions

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry age normal cost method.
Amortization Method	Prior year's total contribution increased by 6.5% for fiscal 2016 through fiscal 2020, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments.
Remaining Amortization Period	As of July 1, 2014, 5 years remaining for the 2002 ERI liability; 6 years remaining for the 2003 ERI liability; 8 years remaining for the 2010 ERI liability and 21 years for the remaining unfunded liability.
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the market value.
Actuarial Assumptions:	
Investment Rate of Return	7.875% (previously, 8.00%)
Projected Salary Increases	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.5% for Group 2, and 4.75% for Group 4 (previously 4.75% for Group 1 and 5.25% for Group 4)
Cost of Living Adjustments	3.00% of the first \$14,000 of retirement income

Plan Membership:

Retired Participants and Beneficiaries Receiving Benefits	5,077
Inactive Participants Entitled to a Return of their Employee Contributions	2,632
Invested Participants with a Vested Right to a Deferred or Immediate Benefit	384
Active Participants	<u>9,082</u>
Total	<u>17,175</u>

(C) Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. These statements require the town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis.

Plan Description. An employee shall become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service. Public Safety employees (group 4) shall be able to retire with 20 years of service regardless of age. The Town is part of the Minuteman Group which offers several health plans. The Town provides certain health care and life insurance benefits for eligible retirees and their spouses. Benefits paid by the Town are on a pay-as-you-go basis. Currently there are approximately 83 active employees and 178 retired employees who are eligible to participate in the plan.

Funding Policy. Retirees shall pay 50% of stated premiums for medical and life insurance and 100% of premiums for dental insurance. Benefits paid by the Town are on a pay-as-you-go basis.

Town of Ayer, Massachusetts
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2014

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development - Office of Community Planning and Development</u>		
CDBG State Program - States Program and Non-Entitlement Grants in Hawaii	14.228	\$ 95,193
Total U.S. Department of Housing and Urban Development - Office of Community Planning and Development		<u>95,193</u>
 <u>Policing Services</u>		
Public Safety Partnership and Community Policing Grants	16.710	1,387
Total U.S. Department of Justice - Office of Community Oriented Services		<u>1,387</u>
 <u>U.S. Department of Health and Human Services - Substance Abuse and Mental Health Services Administration</u>		
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	310,623
Total U.S. Department of Health and Human Services - Substance Abuse and Mental Health Services Administration		<u>310,623</u>
 <u>U.S. Department of Homeland Security</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	30,778
Assistance to Firefighters Grant	97.044	151,194
Total U.S. Department of Homeland Security		<u>181,972</u>
 Total Schedule of Expenditures of Federal Awards		 <u><u>\$ 589,175</u></u>

Town of Ayer, Massachusetts
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014

(1) Scope of Audit

The Town of Ayer, Massachusetts (the Town) is a governmental agency established by the laws of the Commonwealth of Massachusetts.

All federal grant operations of the Town are included in the scope of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The single audit was performed in accordance with the provisions of OMB's Circular A-133, *Compliance Supplement*.

(2) Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes all of the federal grant transactions of the Town.

Federal grant expenditures are recognized in the Town's governmental funds on the modified accrual basis of accounting whereby expenditures are recognized when the related liability is incurred.

Disaster grants have been recorded in the year that the grant was awarded.

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

Board of Selectmen
Town of Ayer
Town Hall
Ayer, Massachusetts 01432

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Town of Ayer, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Ayer, Massachusetts' basic financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ayer, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our

tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 27, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Selectmen
Town of Ayer
Town Hall
Ayer, Massachusetts 01432

Report on Compliance for Each Major Federal Program

We have audited the Town of Ayer's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Town of Ayer, Massachusetts' major federal programs for the year ended June 30, 2014. The Town of Ayer, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Ayer, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Ayer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Ayer, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Ayer, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Town of Ayer, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we

considered the Town of Ayer, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Ayer, Massachusetts' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 27, 2015

Town of Ayer, Massachusetts
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

(I) Summary of Auditors' Results

1. The opinion of the financial statements was unmodified.
2. No significant deficiencies in internal control were reported relating to the audit of the financial statements.
3. No instances of noncompliance which were material to the financial statements were reported.
4. No material weaknesses in internal control relating to major programs were reported.
5. The opinion on compliance with requirements applicable to major programs was unmodified
6. No findings relative to a major federal award program were reported.
7. The major program identified was:

<u>Funding Source</u>	<u>Program</u>	<u>CFDA Number</u>
U.S. Department of Health and Human Services	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The Town did qualify as low risk.

(II) Findings - Financial Statement Audit

No findings related to the financial statements were reported.

(III) Findings and Questioned Costs for Federal Awards

No findings or questioned costs were reported.