

TOWN OF TEWKSBURY, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2014

TOWN OF TEWKSBURY, MASSACHUSETTS

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JUNE 30, 2014

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Tewksbury, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tewksbury, Massachusetts as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of the Town of Tewksbury, 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 Tewksbury, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Powers & Sullivan LLC". The signature is written in a cursive, flowing style.

September 26, 2014

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Tewksbury, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2014. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent year by \$134.5 million (net position).
- The government's total net position decreased by \$2.9 million.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$19.4 million, a decrease of \$102,000 in comparison with the prior year.
- The Town contributed \$350,000 to the established "other postemployment benefits (OPEB) trust fund", which had a \$370,000 balance at the end of the current year.
- At the end of the current year, unassigned fund balance for the general fund was \$9.5 million, or 9.3% percent of total government expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Tewksbury's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

Both of the government-wide financial statements distinguish functions that are primarily supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, health and sanitation, culture and recreation, and interest.

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

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

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

The Town of Tewksbury adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town of Tewksbury maintains two types of proprietary funds:

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health insurance activities and workers compensation benefits. Because these services primarily benefit governmental rather than business-type activities, they have been included within *governmental activities* in the government-wide financial statements.

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

The other postemployment benefits fund is used to account for assets accumulated to provide funding for future other postemployment benefits (OPEB) liabilities. Private-purpose trust funds and agency funds are reported and combined in a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

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

Government-wide Financial Analysis

As noted earlier net position may serve, over time, as a useful indicator of a government's financial position. The assets exceeded liabilities by \$134.5 million at the close of 2014. Key components of the Town's governmental and business type financial position follow.

For the Town's governmental activities, assets exceeded liabilities by \$68.3 million at the close of 2014.

	2014	2013
Assets:		
Current assets.....	\$ 41,804,495	\$ 44,272,637
Capital assets.....	<u>121,986,795</u>	<u>118,814,218</u>
Total assets.....	<u>163,791,290</u>	<u>163,086,855</u>
Liabilities:		
Current liabilities (excluding debt).....	9,016,322	10,478,346
Noncurrent liabilities (excluding debt).....	49,455,473	43,057,522
Current debt.....	5,626,144	2,896,338
Noncurrent debt.....	<u>31,372,538</u>	<u>33,998,682</u>
Total liabilities.....	<u>95,470,477</u>	<u>90,430,888</u>
Net Position:		
Net investment in capital assets.....	88,912,235	90,910,419
Restricted.....	545,338	390,803
Unrestricted.....	<u>(21,136,760)</u>	<u>(18,645,255)</u>
Total net position.....	<u>\$ 68,320,813</u>	<u>\$ 72,655,967</u>

A significant portion of the Town's net position, \$88.9 million, reflects its net investment in capital assets (i.e. land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$545,000 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position resulted in a \$21.1 million deficit, due mainly to the cumulative effect of recording \$39.6 million of other postemployment benefit liabilities through June 30, 2014.

For the Town's business type activities, assets exceeded liabilities by \$66.2 million at the close of 2014.

	2014	2013
Assets:		
Current assets.....	\$ 15,842,936	\$ 13,955,163
Capital assets.....	<u>150,828,387</u>	<u>156,038,506</u>
Total assets.....	<u>166,671,323</u>	<u>169,993,669</u>
Liabilities:		
Current liabilities (excluding debt).....	2,283,892	1,997,799
Noncurrent liabilities (excluding debt).....	1,011,795	847,503
Current debt.....	5,210,493	5,158,772
Noncurrent debt.....	<u>91,989,233</u>	<u>97,199,726</u>
Total liabilities.....	<u>100,495,413</u>	<u>105,203,800</u>
Net Position:		
Net investment in capital assets.....	53,635,516	53,838,937
Unrestricted.....	<u>12,540,394</u>	<u>10,950,932</u>
Total net position.....	<u>\$ 66,175,910</u>	<u>\$ 64,789,869</u>

Business type net position of \$53.6 million (81%) represents investments in capital assets, net of any related debt. The remaining \$12.5 million (19%) is available to be used for the ongoing operation of the Town's sewer and water enterprises.

Revenues and Expenses

The governmental activities net position decreased by \$4.3 million during the current year. This was due to better than anticipated budgetary results, and the timing of grant expenditures; offset by the recognition of an additional \$6.8 million in other postemployment benefit plan liability. Key elements of governmental activities are as follows:

	2014	2013
Program revenues:		
Charges for services.....	\$ 7,066,076	\$ 6,837,692
Operating grants and contributions.....	23,609,745	26,208,910
Capital grants and contributions.....	1,619,619	1,759,591
General Revenues:		
Real estate and personal property taxes.....	67,681,676	64,690,582
Motor vehicle and other excise taxes.....	4,234,179	4,054,064
Nonrestricted grants.....	2,662,037	2,513,854
Unrestricted investment income.....	290,609	(8,841)
Other revenues.....	2,528,580	2,491,150
Total revenues.....	\$ 109,692,521	\$ 108,547,002
Expenses:		
General government.....	\$ 4,593,041	\$ 5,002,230
Public safety.....	18,025,577	17,220,596
Education.....	77,960,818	75,489,492
Public works.....	3,407,151	2,971,739
Human services.....	844,601	959,111
Health and sanitation.....	2,380,111	2,534,560
Culture and recreation.....	2,001,679	1,838,957
Interest.....	1,325,918	1,119,800
Total expenses.....	110,538,896	107,136,485
Excess before transfers.....	(846,375)	1,410,517
Transfers.....	(3,488,779)	(3,720,369)
Change in net position.....	(4,335,154)	(2,309,852)
Net position beginning of the year.....	72,655,967	63,617,386
Net position end of the year.....	\$ 68,320,813	\$ 61,307,534

Governmental expenses totaled \$110.6 million of which \$32.3 million (29%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$77.4 million, primarily from property taxes, motor vehicle excise, lottery and other revenues.

Charges for services represent about 6% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by Town

Meeting, the Board of Selectmen, Town boards and commissions, and the Town Manager are included in this category.

Operating grants and contributions account for 22% of the governmental activities resources. Most of these resources apply to education operations. These resources offset costs within the school department in addition to their general fund operating budget.

Capital grants and contributions account for 1% of the governmental activities resources. The Town receives state reimbursement for highway projects.

Property taxes are the most significant revenue source for the Town's governmental activities. They comprise 62% of all resources.

Motor vehicle and other taxes comprise 4% of the governmental activity's resources.

Education is by far the largest governmental activity of the Town. A total of \$77.9 million was expended for education, of which \$23.8 million was funded by program revenues. The remaining \$54.1 million was funded by taxes and other revenue.

Public safety is the second largest activity of the Town. \$15.9 million of general revenues were needed to cover 2014 operating expenses.

Business-type activities net position increased by \$1.4 million during the current year. The primary reasons for the increase were increased water and sewer usage, the fact that the rates are designed to support principal payments on long-term debt, and that a portion of the operations are subsidized by the tax rate. The key elements of the business-type activities are as follows:

	2014	2013
Program revenues:		
Charges for services.....	\$ 13,566,431	\$ 12,949,087
Nonoperating grants and contributions.....	121,605	128,770
General revenues:		
Unrestricted investment income.....	159	17
Total revenues.....	13,688,195	13,077,874
Expenses.....	15,790,933	15,625,760
Excess before transfers.....	(2,102,738)	(2,547,886)
Transfers.....	3,488,779	3,720,369
Change in net position.....	1,386,041	1,172,483
Net position beginning of the year.....	64,789,869	63,617,386
Net position end of the year.....	\$ 66,175,910	\$ 64,789,869

Financial Analysis of the Governmental Funds

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

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

At the end of the current year, the Town's governmental funds reported combined ending fund balances totaling \$19.4 million. Of this amount \$11.4 million is for the general fund and \$7.9 million is comprised nonmajor funds. Cumulatively there was a decrease of \$102,000 in fund balances from the prior year.

The general fund is the chief operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$9.2 million while total fund balance was \$11.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 9.4% of the total general fund budgetary expenditures, while total fund balance represents 11.7% of that same amount.

Financial Summary

- Overall, general fund revenue increased 4.9% compared to 2013. This increase is primarily due to an increase in taxes.
- Tax revenue continues to be the most significant revenue source for the Town, representing 65.2% of total general fund revenue. Tax revenue increased in accordance with the provisions of the Massachusetts law, which limits such increase to 2½% over the preceding year plus an allowance for new growth and excluded debt.
- Intergovernmental revenue represents 24.8% of total general fund revenues. This includes state aid as well as \$9.3 million in payments made by the State to the Massachusetts Teachers' Retirement Association for teachers' pension benefits. Intergovernmental revenue increased by 3.0% from 2013.
- Motor vehicle revenue represents 4.1% of the total general fund revenues and increased by 8.1% from 2013.
- License and permit revenue totaled approximately \$760,000, an 18.5% increase from 2013, reflecting continuing home renovation and building activity in the Town.
- Expenditures in the general fund increased 3.2% as compared to 2013 with education, public safety, public works, pension benefits and debt service being the primary contributors.
- Education continues to represent the largest category of general fund expenditures, approximating 63.3% in 2014. The Town is committed to providing a high-quality education through its public schools.
- Public safety and public works represent a combined 14.2% of general fund expenditures. This reflects the Town's commitment to providing a safe, secure environment and essential public services.

- Debt service costs in 2014 equaled 4.3% of total general fund expenditures, reflecting the Town's ongoing commitment to its school building program, public safety facilities and recreation and cultural facilities.
- Employee benefits and pension costs increased 9.5% from the prior year, not fluctuating substantially.

General Fund Budgetary Highlights

There was a \$5.5 million increase from the original budget to the final amended budget. During the fall and spring Special Town Meeting, appropriation increases for stabilization, OPEB, and various school and town functions were approved.

General Fund revenues came in approximately \$2.5 million more than budgeted. There were several factors that contributed to this increase. Fees were higher due the receipt of \$265,000 from Merrimac Educational Collaborative; motor vehicle and other excise receipts were \$712,000 better than expected due to an improving economy and an increase in new car sales; licenses and permits were higher by \$163,000 due more building permits being issued; and hotel/motel tax exceeded expectations by \$220,000.

General fund expenditures came in \$1.7 million (1.7%) less than budgeted

Capital Asset and Debt Administration

In conjunction with the annual operating budget the Town of Tewksbury annually prepares a capital budget for the upcoming year and a five year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

Capital assets. The Town of Tewksbury's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$272.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer system improvements, machinery and equipment, library and school books, computer equipment, park facilities, roads, highways, and bridges. The Town's investment in capital assets decreased \$2.0 million in 2014. Shown below is the breakdown of the Town's capital assets.

Capital Asset	Governmental Activities	Business Type Activities	Total
Land.....	\$ 1,845,881	\$ 204,000	\$ 2,049,881
Construction in progress.....	81,958	-	81,958
Artwork.....	903,300	-	903,300
Land improvements.....	1,402,584	-	1,402,584
Buildings.....	98,646,266	8,951,844	107,598,110
Buildings improvements.....	2,576,221	1,955,732	4,531,953
Machinery and equipment.....	2,303,626	1,608,100	3,911,726
Library and school books.....	81,360	-	81,360
Computer Software.....	139,360	-	139,360
Infrastructure.....	14,006,239	138,108,711	152,114,950
Total.....	\$ <u>121,986,795</u>	\$ <u>150,828,387</u>	\$ <u>272,815,182</u>

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

- Construction on the new Tewksbury Memorial High School project was substantially completed with \$2.9 million expended in 2014.
- The Town capitalized an additional \$3.5 million in construction projects of which \$1.1 million was for roadway improvements.
- Continuing infrastructure improvements in the enterprise funds with \$115,000 expended in the current year. Additionally, another \$28,000 was spent on machinery and equipment.

Debt Administration

The Town maintains an “AA-” bond rating from Standard & Poor’s. The Town continues to maintain strong market access for both note and bond sales. At the end of the year the Town had total bonded debt outstanding of \$131.2 million of which \$34.0 million is related to governmental activities, \$84.5 million is for sewer projects, and \$12.8 million is related to water projects. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the Town.

The Town’s long-term debt decreased by \$8.1 million in the current year. During 2014, the Town did not issue any long term debt. The town issued \$3,000,000 in Bond Anticipation Notes related to school construction.

Please refer to notes 4, 6 and 7 for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Tewksbury’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall Annex, 11 Town Hall Avenue, Tewksbury, MA 01876.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2014

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 27,572,349	\$ 10,576,974	\$ 38,149,323
Investments.....	3,994,255	-	3,994,255
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	576,677	-	576,677
Tax liens.....	2,746,871	-	2,746,871
Motor vehicle and other excise taxes.....	368,362	-	368,362
Water fees.....	-	2,894,280	2,894,280
Sewer fees.....	-	2,371,682	2,371,682
Departmental and other.....	1,278,696	-	1,278,696
Intergovernmental.....	2,693,485	-	2,693,485
Working capital deposit.....	2,573,800	-	2,573,800
Total current assets.....	<u>41,804,495</u>	<u>15,842,936</u>	<u>57,647,431</u>
NONCURRENT:			
Capital assets, nondepreciable.....	2,831,139	204,000	3,035,139
Capital assets, net of accumulated depreciation.....	<u>119,155,656</u>	<u>150,624,387</u>	<u>269,780,043</u>
Total noncurrent assets.....	<u>121,986,795</u>	<u>150,828,387</u>	<u>272,815,182</u>
TOTAL ASSETS.....	<u>163,791,290</u>	<u>166,671,323</u>	<u>330,462,613</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	2,142,271	610,903	2,753,174
Accrued payroll.....	2,914,167	34,680	2,948,847
Health claims payable.....	1,407,772	-	1,407,772
Tax refunds payable.....	295,029	-	295,029
Accrued interest.....	272,668	1,556,609	1,829,277
Other liabilities.....	706,736	20,000	726,736
Landfill closure.....	347,479	-	347,479
Compensated absences.....	930,200	61,700	991,900
Notes payable.....	3,000,000	-	3,000,000
Bonds payable.....	<u>2,626,144</u>	<u>5,210,493</u>	<u>7,836,637</u>
Total current liabilities.....	<u>14,642,466</u>	<u>7,494,385</u>	<u>22,136,851</u>
NONCURRENT:			
Landfill closure.....	8,686,975	-	8,686,975
Compensated absences.....	1,177,500	189,800	1,367,300
Other postemployment benefits obligation.....	39,590,998	821,995	40,412,993
Bonds payable.....	<u>31,372,538</u>	<u>91,989,233</u>	<u>123,361,771</u>
Total noncurrent liabilities.....	<u>80,828,011</u>	<u>93,001,028</u>	<u>173,829,039</u>
TOTAL LIABILITIES.....	<u>95,470,477</u>	<u>100,495,413</u>	<u>195,965,890</u>
NET POSITION			
Net investment in capital assets.....	88,912,235	53,635,516	142,547,751
Restricted for:			
Permanent funds:			
Expendable.....	49,964	-	49,964
Gifts and grants.....	495,374	-	495,374
Unrestricted.....	<u>(21,136,760)</u>	<u>12,540,394</u>	<u>(8,596,366)</u>
TOTAL NET POSITION.....	<u>\$ 68,320,813</u>	<u>\$ 66,175,910</u>	<u>\$ 134,496,723</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
<i>Governmental Activities:</i>						
General government.....	\$ 4,593,041	\$ 2,044,475	\$ 2,009,740	\$ -	\$ (538,826)	
Public safety.....	18,025,577	1,995,989	150,677	-	(15,878,911)	
Education.....	77,960,818	2,815,341	21,017,098	-	(54,128,379)	
Public works.....	3,407,151	26,472	145,323	1,619,619	(1,615,737)	
Human services.....	844,601	86,658	266,048	-	(491,895)	
Health and sanitation.....	2,380,111	6,405	-	-	(2,373,706)	
Culture and recreation.....	2,001,679	90,736	20,859	-	(1,890,084)	
Interest.....	1,325,918	-	-	-	(1,325,918)	
Total Governmental Activities.....	110,538,896	7,066,076	23,609,745	1,619,619	(78,243,456)	
<i>Business-Type Activities:</i>						
Sewer.....	8,861,633	6,245,405	121,605	-	(2,494,623)	
Water.....	6,929,300	7,321,026	-	-	391,726	
Total Business-Type Activities.....	15,790,933	13,566,431	121,605	-	(2,102,897)	
Total Primary Government.....	\$ 126,329,829	\$ 20,632,507	\$ 23,731,350	\$ 1,619,619	\$ (80,346,353)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ <u>(78,243,456)</u>	\$ <u>(2,102,897)</u>	\$ <u>(80,346,353)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	67,681,676	-	67,681,676
Tax liens.....	622,616	-	622,616
Motor vehicle and other excise taxes.....	4,234,179	-	4,234,179
Hotel/motel tax.....	841,798	-	841,798
Meals tax.....	573,001	-	573,001
Penalties and interest on taxes.....	461,018	-	461,018
Payments in lieu of taxes.....	30,147	-	30,147
Grants and contributions not restricted to specific programs.....	2,662,037	-	2,662,037
Unrestricted investment income.....	290,609	159	290,768
<i>Transfers, net</i>	<u>(3,488,779)</u>	<u>3,488,779</u>	<u>-</u>
Total general revenues and transfers.....	<u>73,908,302</u>	<u>3,488,938</u>	<u>77,397,240</u>
Change in net position.....	(4,335,154)	1,386,041	(2,949,113)
<i>Net Position:</i>			
Beginning of year.....	<u>72,655,967</u>	<u>64,789,869</u>	<u>137,445,836</u>
End of year.....	\$ <u><u>68,320,813</u></u>	\$ <u><u>66,175,910</u></u>	\$ <u><u>134,496,723</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents.....	\$ 15,065,544	\$ 9,150,389	\$ 24,215,933
Investments.....	1,485,261	2,508,994	3,994,255
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	576,677	-	576,677
Tax liens.....	2,740,214	6,657	2,746,871
Motor vehicle and other excise taxes.....	368,362	-	368,362
Departmental and other.....	1,171,714	9,753	1,181,467
Intergovernmental.....	-	2,693,485	2,693,485
TOTAL ASSETS.....	\$ 21,407,772	\$ 14,369,278	\$ 35,777,050
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 1,559,471	\$ 581,683	\$ 2,141,154
Accrued payroll.....	2,727,416	179,113	2,906,529
Tax refunds payable.....	295,029	-	295,029
Other liabilities.....	706,736	-	706,736
Notes payable.....	-	3,000,000	3,000,000
TOTAL LIABILITIES.....	5,288,652	3,760,796	9,049,448
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue.....	4,671,873	2,696,675	7,368,548
FUND BALANCES:			
Restricted.....	-	10,708,407	10,708,407
Committed.....	1,669,334	-	1,669,334
Assigned.....	256,242	-	256,242
Unassigned.....	9,521,671	(2,796,600)	6,725,071
TOTAL FUND BALANCES.....	11,447,247	7,911,807	19,359,054
TOTAL LIABILITIES, DEFERRED INFLOWS OF AND FUND RESOURCES, BALANCES.....	\$ 16,735,899	\$ 11,672,603	\$ 28,408,502

See notes to basic financial statements.

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

JUNE 30, 2014

Total governmental fund balances.....	\$ 19,359,054
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	121,986,795
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds.....	7,368,548
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities:	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....	4,610,918
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(272,668)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(33,359,635)
Unamortized premium on bonds payable.....	(639,047)
Landfill liability.....	(9,034,454)
Compensated absences.....	(2,107,700)
Other postemployment benefits obligation.....	(39,590,998)
Net effect of reporting long-term liabilities.....	<u>(84,731,834)</u>
Net position of governmental activities.....	<u>\$ 68,320,813</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 67,668,829	\$ -	\$ 67,668,829
Tax liens.....	681,452	-	681,452
Motor vehicle and other excise taxes.....	4,240,655	-	4,240,655
Hotel/motel tax.....	841,798	-	841,798
Meals tax.....	573,001	-	573,001
Charges for services.....	922,608	784,534	1,707,142
Penalties and interest on taxes.....	461,018	-	461,018
Fees.....	923,344	1,507,960	2,431,304
Rentals.....	454,220	116,734	570,954
Payments in lieu of taxes.....	30,147	-	30,147
Licenses and permits.....	759,883	-	759,883
Fines and forfeitures.....	93,366	-	93,366
Intergovernmental.....	25,737,582	6,312,700	32,050,282
Departmental and other.....	272,642	1,043,752	1,316,394
Contributions.....	-	204,127	204,127
Investment income.....	122,986	167,623	290,609
TOTAL REVENUES.....	103,783,531	10,137,430	113,920,961
EXPENDITURES:			
Current:			
General government.....	2,713,001	1,100,173	3,813,174
Public safety.....	11,254,594	222,873	11,477,467
Education.....	61,992,647	9,208,542	71,201,189
Public works.....	2,661,819	1,343,624	4,005,443
Human services.....	646,011	95,308	741,319
Health and sanitation.....	2,540,600	-	2,540,600
Culture and recreation.....	1,123,391	418,993	1,542,384
Pension benefits.....	4,548,923	-	4,548,923
Employee benefits.....	4,795,060	-	4,795,060
State and county charges.....	1,489,115	-	1,489,115
Debt service:			
Principal.....	2,823,755	-	2,823,755
Interest.....	1,417,440	-	1,417,440
TOTAL EXPENDITURES.....	98,006,356	12,389,513	110,395,869
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	5,777,175	(2,252,083)	3,525,092
OTHER FINANCING SOURCES (USES):			
Transfers in.....	25,000	1,257,057	1,282,057
Transfers out.....	(3,921,322)	(987,956)	(4,909,278)
TOTAL OTHER FINANCING SOURCES (USES).....	(3,896,322)	269,101	(3,627,221)
NET CHANGE IN FUND BALANCES.....	1,880,853	(1,982,982)	(102,129)
FUND BALANCES AT BEGINNING OF YEAR.....	9,566,394	9,894,789	19,461,183
FUND BALANCES AT END OF YEAR.....	\$ 11,447,247	\$ 7,911,807	\$ 19,359,054

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....	\$	(102,129)
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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.

Capital outlay.....	6,433,009	
Depreciation expense.....	(3,260,432)	

Net effect of reporting capital assets.....		3,172,577
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Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (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..... (4,228,440)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.

Debt service principal payments.....		2,823,755
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(77,200)	
Net change in landfill liability.....	375,000	
Net change in accrued interest on long-term debt.....	18,939	
Amortization of deferred charge on refunding.....	72,583	
Net change in other postemployment benefits obligation.....	(6,713,830)	

Net effect of recording long-term liabilities and amortizing deferred losses.....		(6,324,508)
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Internal service funds are used by management to account for health insurance.

The net activity of internal service funds is reported with Governmental Activities.....		323,591
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Change in net position of governmental activities.....	\$	(4,335,154)
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See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2014

	Sewer Enterprise	Water Enterprise	Total	Governmental Activities - Internal Service Funds
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 5,711,314	\$ 4,865,660	\$ 10,576,974	\$ 3,356,416
Receivables, net of allowance for uncollectibles:				
Sewer fees.....	2,371,682	-	2,371,682	-
Water fees.....	-	2,894,280	2,894,280	-
Departmental and other.....	-	-	-	97,229
Working capital deposit.....	-	-	-	2,573,800
Total current assets.....	<u>8,082,996</u>	<u>7,759,940</u>	<u>15,842,936</u>	<u>6,027,445</u>
NONCURRENT:				
Capital assets, nondepreciable.....	-	204,000	204,000	-
Capital assets, depreciable.....	<u>111,132,119</u>	<u>39,492,268</u>	<u>150,624,387</u>	<u>-</u>
Total noncurrent assets.....	<u>111,132,119</u>	<u>39,696,268</u>	<u>150,828,387</u>	<u>-</u>
TOTAL ASSETS.....	<u>119,215,115</u>	<u>47,456,208</u>	<u>166,671,323</u>	<u>6,027,445</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	326,672	284,231	610,903	1,117
Accrued payroll.....	9,643	25,037	34,680	7,638
Health claims payable.....	-	-	-	1,407,772
Accrued interest.....	1,418,756	137,853	1,556,609	-
Other liabilities.....	20,000	-	20,000	-
Compensated absences.....	7,900	53,800	61,700	-
Bonds payable.....	<u>3,595,267</u>	<u>1,615,226</u>	<u>5,210,493</u>	<u>-</u>
Total current liabilities.....	<u>5,378,238</u>	<u>2,116,147</u>	<u>7,494,385</u>	<u>1,416,527</u>
NONCURRENT:				
Compensated absences.....	30,600	159,200	189,800	-
Other postemployment benefits obligation.....	81,333	740,662	821,995	-
Bonds and notes payable.....	<u>80,756,429</u>	<u>11,232,804</u>	<u>91,989,233</u>	<u>-</u>
Total noncurrent liabilities.....	<u>80,868,362</u>	<u>12,132,666</u>	<u>93,001,028</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>86,246,600</u>	<u>14,248,813</u>	<u>100,495,413</u>	<u>1,416,527</u>
NET POSITION				
Net investment in capital assets.....	26,786,078	26,849,438	53,635,516	-
Unrestricted.....	<u>6,182,437</u>	<u>6,357,957</u>	<u>12,540,394</u>	<u>4,610,918</u>
TOTAL NET POSITION.....	<u>\$ 32,968,515</u>	<u>\$ 33,207,395</u>	<u>\$ 66,175,910</u>	<u>\$ 4,610,918</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2014

	Sewer Enterprise	Water Enterprise	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES:				
Employee contributions	\$ -	\$ -	\$ -	\$ 7,106,390
Employer contributions	-	-	-	8,529,678
Charges for services	6,245,405	7,318,902	13,564,307	-
Other.....	-	2,124	2,124	244,225
TOTAL OPERATING REVENUES	6,245,405	7,321,026	13,566,431	15,880,293
OPERATING EXPENSES:				
Cost of services and administration	2,393,102	4,181,004	6,574,106	-
Depreciation.....	2,990,478	2,362,636	5,353,114	-
Employee benefits.....	-	-	-	15,695,144
TOTAL OPERATING EXPENSES	5,383,580	6,543,640	11,927,220	15,695,144
OPERATING INCOME (LOSS).....	861,825	777,386	1,639,211	185,149
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	159	-	159	-
Interest expense.....	(3,478,053)	(385,660)	(3,863,713)	-
Intergovernmental.....	121,605	-	121,605	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(3,356,289)	(385,660)	(3,741,949)	-
INCOME (LOSS) BEFORE TRANSFERS.....	(2,494,464)	391,726	(2,102,738)	185,149
TRANSFERS:				
Transfers in.....	3,513,779	-	3,513,779	138,442
Transfers out.....	-	(25,000)	(25,000)	-
TOTAL OPERATING TRANSFERS.....	3,513,779	(25,000)	3,488,779	138,442
CHANGE IN NET POSITION.....	1,019,315	366,726	1,386,041	323,591
NET POSITION AT BEGINNING OF YEAR.....	31,949,200	32,840,669	64,789,869	4,287,327
NET POSITION AT END OF YEAR.....	\$ 32,968,515	\$ 33,207,395	\$ 66,175,910	\$ 4,610,918

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	Sewer Enterprise	Water Enterprise	Total	Governmental Activities - Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 7,025,770	\$ 7,429,013	\$ 14,454,783	\$ 7,106,390
Receipts from interfund services provided.....	-	-	-	8,697,900
Payments to vendors.....	(1,639,563)	(2,608,118)	(4,247,681)	(16,297,351)
Payments to employees.....	(478,177)	(1,330,816)	(1,808,993)	-
NET CASH FROM OPERATING ACTIVITIES.....	4,908,030	3,490,079	8,398,109	(493,061)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers in.....	3,513,779	-	3,513,779	138,442
Transfers out.....	-	(25,000)	(25,000)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	3,513,779	(25,000)	3,488,779	138,442
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Acquisition and construction of capital assets.....	(13,300)	(129,695)	(142,995)	-
Principal payments on bonds and notes.....	(3,447,505)	(1,635,467)	(5,082,972)	-
Interest paid on capital debt.....	(3,482,235)	(402,720)	(3,884,955)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(6,943,040)	(2,167,882)	(9,110,922)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment income.....	159	-	159	-
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,478,928	1,297,197	2,776,125	(354,619)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,232,386	3,568,463	7,800,849	3,711,035
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 5,711,314	\$ 4,865,660	\$ 10,576,974	\$ 3,356,416
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 861,825	\$ 777,386	\$ 1,639,211	\$ 185,149
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	2,990,478	2,362,636	5,353,114	-
Changes in assets and liabilities:				
Water fees.....	-	107,987	107,987	-
Sewer fees.....	780,365	-	780,365	-
Departmental and other.....	-	-	-	(76,003)
Working capital deposit.....	-	-	-	(101,000)
Warrants payable.....	265,039	79,414	344,453	(32,524)
Accrued payroll.....	3,643	(1,356)	2,287	7,638
Health claims payable.....	-	-	-	(185,230)
Payroll withholdings.....	-	-	-	(291,091)
Accrued compensated absences.....	(4,500)	25,400	20,900	-
Post employment benefits obligation.....	11,180	138,612	149,792	-
Total adjustments.....	4,046,205	2,712,693	6,758,898	(678,210)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 4,908,030	\$ 3,490,079	\$ 8,398,109	\$ (493,061)
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
Intergovernmental subsidy of principal and interest payments.....	\$ 121,605	\$ -	\$ 121,605	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Other Postemployment Benefit Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ -	\$ 3,291	\$ 944,430
Investments.....	369,528	-	14,227
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	-	114,527
TOTAL ASSETS	<u>369,528</u>	<u>3,291</u>	<u>1,073,184</u>
LIABILITIES			
Warrants payable.....	-	-	2,403
Liabilities due depositors.....	-	-	968,550
Other liabilities.....	-	-	102,231
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>1,073,184</u>
NET POSITION			
Held in trust for OPEB benefits and other purposes.....	\$ <u>369,528</u>	\$ <u>3,291</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

	Other Postemployment Benefit Fund	Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions.....	\$ 350,000	\$ -
Net investment income (loss):		
Net change in fair value of investments.....	15,685	-
Interest.....	4,587	79
Total investment income (loss).....	20,272	79
Less: investment expense.....	(744)	-
Net investment income (loss).....	19,528	79
TOTAL ADDITIONS.....	369,528	79
CHANGE IN NET POSITION.....	369,528	79
NET POSITION AT BEGINNING OF YEAR.....	-	\$ 3,212
NET POSITION AT END OF YEAR.....	\$ 369,528	\$ 3,291

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a Massachusetts municipal corporation that is governed by an elected Board of Selectmen and an appointed Town Manager.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that meet the requirements for inclusion in the Town's basic financial statements.

Joint Venture – The Town has entered into a joint venture for the Shawsheen Valley Technical High School along with other municipalities to pool resources and share the costs, risk and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified recipients. The Town has no equity interest in this joint venture. The Town's assessment for 2014 was \$5,970,959. Complete financial statements for the Shawsheen Valley Technical High School can be obtained by contacting their administrative offices at 100 Cook Street, Billerica, MA 01821.

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

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. *Governmental activities* are primarily supported by taxes and intergovernmental revenues.

Fund Financial Statements

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

Major Fund Criteria

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

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

- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Internal service funds and fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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

The following major governmental funds are reported:

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

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

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 following proprietary fund types are reported:

The *sewer enterprise fund* accounts for the Town's sewer activities.

The *water enterprise fund* accounts for the Town's water activities.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the Town's health insurance and workers' compensation.

Fiduciary funds are used to account for financial 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 following fiduciary fund types are reported:

The *other employee benefits trust fund* is used to account for other postemployment benefit (OPEB), which accumulate resources to provide funding for future 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 and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity, such as collection and payment of charges for special details, escrow accounts, deposits and deputy collector accounts.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

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

Real estate tax liens are processed during the second and fourth quarter of every year on delinquent properties and are recorded as receivables in the year they are processed.

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

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

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles

registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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

Sewer

Sewer user fees are levied tri-annually for individual and commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the year of the levy.

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

Water

Water user fees are levied tri-annually for individual and commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed in December of every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy.

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

Departmental and Other

Departmental and other receivables consist primarily of ambulance and Veteran's receivables which are recorded as receivables in the year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings, building improvements, machinery and equipment, library and school books, computer software, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the governmental activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	5-50
Buildings.....	5-50
Building improvements.....	5-50
Machinery and equipment.....	3-20
Library and school books.....	3-10
Computer software.....	5-10
Infrastructure.....	10-50

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

Governmental Fund Financial Statements

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

H. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an

acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town did not have any items that qualify for reporting in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

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

J. Interfund Transfers

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

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

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

K. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program and the Massachusetts Water Pollution Abatement Trust's loan subsidy program is not considered to be capital related debt.

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

Net position has been “restricted for” the following:

“Permanent funds – expendable” represents the endowment and the amount of realized and unrealized investment earnings of donor restricted trusts that support governmental programs.

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

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

Fund Financial Statements (Fund Balances)

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

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

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

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

L. Long-term debt*Government-Wide and Proprietary Fund Financial Statements*

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

Governmental Fund Financial Statements

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

M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

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

P. Fund Deficits

The nonmajor governmental funds has a deficit balance of \$2,796,600 which relates to school capital projects. This deficit will be funded by future bond proceeds.

Q. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$38,863,501 and the bank balance totaled \$40,504,070. Of the bank balance, \$10,284,311 was covered by Federal Depository Insurance, \$3,256,643 was covered by Depositor's Insurance Fund, \$750,808 was covered by Share Insurance Fund and \$26,212,308 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2014, the Town of Tewksbury had the following investments:

Investment Type	Fair Value	Maturity		
		1-5 Years	6-10 Years	Over 10 Years
<u>Debt Securities:</u>				
Government Sponsored Enterprises.....	\$ 1,709,414	\$ 248,848	\$ 988,192	\$ 472,374
Corporate Bonds.....	618,197	-	111,250	506,947
Total Debt Securities.....	2,327,611	\$ 248,848	\$ 1,099,442	\$ 979,321
<u>Other Investments:</u>				
Equity Securities.....	1,680,871			
Money Market Mutual Funds.....	150,026			
MMDT.....	83,517			
Total Investments.....	\$ 4,242,025			

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

All of the Town's OPEB trust assets are invested in the State Retirees Benefit Trust Fund (SRBTF), which was established under the provisions of Massachusetts General Laws Chapter 32A, Section 24. SRBTF assets are administered by the Pension Reserve Investment Management Board (PRIM). As of June 30, 2014, the value of these investments totaled \$369,528.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town's investments are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form. Out of the Town's investments, \$500,000 of debt and equity securities are fully insured by Securities Investor Protector Corporation and are not exposed to custodial credit risk. This leaves custodial credit risk exposure totaling \$3,036,108 because the related securities are uninsured, unregistered, and held by the counterparty. The Town does not have a formal investment policy for custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. Government sponsored enterprises of \$1,237,040 are rated AA+. Corporate bonds of \$472,374 are rated AA+, \$111,250 are rated AA-, \$297,750 are rated A, \$43,578 are rated BBB, and \$165,619 are rated BB.

Additionally, the Town holds \$83,517 in MMDT which are unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount the government may invest in any one issuer. As of June 30, 2014, the Town's investments with a single issuer that represents 5 percent or more of the Town's total investments are as follows:

Issuer	Fair Value	Percentage of Total Investments
BCS Floating Range.....	\$ 297,750	7.43%
Federal Home Lone Bank.....	721,222	17.99%
Federal Home Loan Mortgage.....	988,192	24.65%

NOTE 3 – RECEIVABLES

At June 30, 2014, receivables for the individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 736,402	\$ (159,725)	\$ 576,677
Tax liens.....	2,746,871	-	2,746,871
Motor vehicle and other excise taxes.....	399,932	(31,570)	368,362
Departmental and other.....	1,961,697	(568,474)	1,393,223
Intergovernmental.....	2,693,485	-	2,693,485
Total.....	<u>\$ 8,538,387</u>	<u>\$ (759,769)</u>	<u>\$ 7,778,618</u>

At June 30, 2014, receivables for the sewer and water enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer fees.....	\$ 2,371,682	\$ -	\$ 2,371,682
Water fees.....	2,894,280	-	2,894,280
Total.....	<u>\$ 5,265,962</u>	<u>\$ -</u>	<u>\$ 5,265,962</u>

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the

various components of *deferred inflows of resources* reported in the governmental funds were as follows:

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes....	\$ 393,559	\$ -	\$ 393,559
Tax liens.....	2,740,214	6,657	2,746,871
Motor vehicle and other excise taxes.....	368,362	-	368,362
Departmental and other.....	1,169,738	-	1,169,738
Intergovernmental.....	-	2,690,018	2,690,018
Total.....	<u>\$ 4,671,873</u>	<u>\$ 2,696,675</u>	<u>\$ 7,368,548</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,845,881	\$ -	\$ -	\$ 1,845,881
Construction in progress.....	66,006,557	37,278	(65,961,877)	81,958
Artwork.....	896,500	6,800	-	903,300
Total capital assets not being depreciated.....	<u>68,748,938</u>	<u>44,078</u>	<u>(65,961,877)</u>	<u>2,831,139</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	798,487	1,061,587	-	1,860,074
Buildings.....	53,979,504	66,953,308	-	120,932,812
Buildings improvements.....	12,120,225	681,386	-	12,801,611
Machinery and equipment.....	8,225,071	883,044	-	9,108,115
Library and school books.....	3,261,757	-	-	3,261,757
Computer software.....	220,770	146,695	-	367,465
Infrastructure.....	41,775,780	2,624,788	-	44,400,568
Total capital assets being depreciated.....	<u>120,381,594</u>	<u>72,350,808</u>	<u>-</u>	<u>192,732,402</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(410,675)	(46,815)	-	(457,490)
Buildings.....	(20,133,915)	(2,152,631)	-	(22,286,546)
Buildings improvements.....	(9,994,387)	(231,003)	-	(10,225,390)
Machinery and equipment.....	(6,345,236)	(459,253)	-	(6,804,489)
Library and school books.....	(3,143,075)	(37,322)	-	(3,180,397)
Computer software.....	(210,985)	(17,120)	-	(228,105)
Infrastructure.....	(30,078,041)	(316,288)	-	(30,394,329)
Total accumulated depreciation.....	<u>(70,316,314)</u>	<u>(3,260,432)</u>	<u>-</u>	<u>(73,576,746)</u>
Total capital assets being depreciated, net.....	<u>50,065,280</u>	<u>69,090,376</u>	<u>-</u>	<u>119,155,656</u>
Total governmental activities capital assets, net.....	<u>\$ 118,814,218</u>	<u>\$ 69,134,454</u>	<u>\$ (65,961,877)</u>	<u>\$ 121,986,795</u>

Capital asset activity for the business-type activities for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 16,872	\$ -	\$ (16,872)	\$ -
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	184,094	13,300	-	197,394
Infrastructure.....	143,250,885	16,872	-	143,267,757
Total capital assets being depreciated.....	143,434,979	30,172	-	143,465,151
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(159,642)	(14,831)	-	(174,473)
Infrastructure.....	(29,182,912)	(2,975,647)	-	(32,158,559)
Total accumulated depreciation.....	(29,342,554)	(2,990,478)	-	(32,333,032)
Total sewer capital assets being depreciated, net.....	114,092,425	(2,960,306)	-	111,132,119
Total sewer capital assets, net.....	\$ 114,109,297	\$ (2,960,306)	\$ (16,872)	\$ 111,132,119
Water Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 204,000	\$ -	\$ -	\$ 204,000
Construction in progress.....	1,113,946	-	(1,113,946)	-
Total capital assets not being depreciated.....	1,317,946	-	(1,113,946)	204,000
<u>Capital assets being depreciated:</u>				
Buildings.....	22,455,883	-	-	22,455,883
Building improvements.....	4,345,425	-	-	4,345,425
Machinery and equipment.....	3,410,668	14,700	-	3,425,368
Infrastructure.....	71,598,439	1,228,941	-	72,827,380
Total capital assets being depreciated.....	101,810,415	1,243,641	-	103,054,056
<u>Less accumulated depreciation for:</u>				
Buildings.....	(13,122,321)	(381,718)	-	(13,504,039)
Building improvements.....	(2,203,299)	(186,394)	-	(2,389,693)
Machinery and equipment.....	(1,495,124)	(345,065)	-	(1,840,189)
Infrastructure.....	(44,378,408)	(1,449,459)	-	(45,827,867)
Total accumulated depreciation.....	(61,199,152)	(2,362,636)	-	(63,561,788)
Total water capital assets being depreciated, net.....	40,611,263	(1,118,995)	-	39,492,268
Total water capital assets, net.....	\$ 41,929,209	\$ (1,118,995)	\$ (1,113,946)	\$ 39,696,268

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

Governmental Activities:

General government.....	\$	32,546
Public safety.....		375,885
Education.....		2,002,674
Public works.....		493,515
Culture and recreation.....		<u>355,812</u>

Total depreciation expense - governmental activities.....	\$	<u>3,260,432</u>
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Business-Type Activities:

Sewer.....	\$	2,990,478
Water.....		<u>2,362,636</u>

Total depreciation expense - business-type activities.....	\$	<u>5,353,114</u>
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NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2014, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund	Internal Service Fund		
General Fund.....	\$ -	\$ 269,101	\$ 3,513,779	\$ 138,442	\$	3,921,322 (1)
Nonmajor Governmental Funds.....	-	987,956	-	-		987,956 (2)
Water Enterprise Fund.....	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>25,000 (3)</u>
Total.....	<u>\$ 25,000</u>	<u>\$ 1,257,057</u>	<u>\$ 3,513,779</u>	<u>\$ 138,442</u>	<u>\$</u>	<u>4,934,278</u>

- (1) Represents budgeted transfers from the general fund to nonmajor governmental funds, the sewer enterprise fund, and the internal service fund. Also represents transfers from the general fund to nonmajor governmental funds for reimbursement for grant proceeds and the internal service fund for an insurance reimbursement.
- (2) Represents transfers from the community preservation nonmajor fund to nonmajor capital projects and between other nonmajor funds.
- (3) Represents a transfer from the water enterprise fund to the general fund.

NOTE 6 – SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2014, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
Governmental Funds							
BAN	Municipal Purpose.....	0.35%	12/19/14	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000

NOTE 7 – LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Issue:	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Municipal Purpose Bonds of 2005.....	2015	\$ 320,000	3.00-4.25	\$ 50,000	\$ -	\$ (30,000)	\$ 20,000
Municipal Purpose Bonds of 2006.....	2025	2,500,000	4.00-5.50	1,560,000	-	(130,000)	1,430,000
Municipal Purpose Bonds of 2007.....	2026	1,750,000	4.00-5.50	1,150,000	-	(100,000)	1,050,000
Municipal Purpose Refunding Bonds of 2009.....	2019	4,030,000	2.00-3.125	1,790,000	-	(555,000)	1,235,000
Municipal Purpose Bonds of 2010.....	2020	200,000	2.00-4.00	140,000	-	(20,000)	120,000
Municipal Purpose Bonds of 2012.....	2031	32,170,000	2.00-4.00	28,460,000	-	(1,590,000)	26,870,000
Municipal Purpose Bonds of 2013.....	2022	100,000	2.00	90,000	-	(10,000)	80,000
Municipal Purpose Refunding Bonds of 2013.....	2022	3,285,025	2.00	2,943,390	-	(388,755)	2,554,635
Total governmental bonds payable.....				36,183,390	-	(2,823,755)	33,359,635
Add: unamortized premium.....				711,630	-	(72,583)	639,047
Total governmental bonds payable, net.....				\$ 36,895,020	\$ -	\$ (2,896,338)	\$ 33,998,682

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

Year	Principal	Interest	Total
2015.....	\$ 2,556,970	\$ 1,167,616	\$ 3,724,586
2016.....	2,514,600	1,089,228	3,603,828
2017.....	2,472,820	1,012,511	3,485,331
2018.....	2,361,040	941,103	3,302,143
2019.....	2,296,290	855,697	3,151,987
2020.....	2,130,795	773,433	2,904,228
2021.....	2,042,965	693,867	2,736,832
2022.....	2,034,155	616,945	2,651,100
2023.....	1,795,000	540,200	2,335,200
2024.....	1,795,000	483,910	2,278,910
2025.....	1,795,000	425,483	2,220,483
2026.....	1,665,000	365,038	2,030,038
2027.....	1,580,000	308,100	1,888,100
2028.....	1,580,000	252,800	1,832,800
2029.....	1,580,000	189,600	1,769,600
2030.....	1,580,000	126,400	1,706,400
2031.....	1,580,000	63,200	1,643,200
Total.....	\$ <u>33,359,635</u>	\$ <u>9,905,131</u>	\$ <u>43,264,766</u>

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Sewer.....	2035	\$ 101,656,000	2.00-6.75	\$ 85,768,500	\$ -	\$ (3,048,500)	\$ 82,720,000
Sewer Refunding.....	2022	1,721,180	2.00-3.125	980,280	-	(205,850)	774,430
MWPAT-Sewer.....	2017	3,822,550	-	1,126,221	-	(268,955)	857,266
Total sewer enterprise bonds payable.....				\$ <u>87,875,001</u>	\$ -	\$ <u>(3,523,305)</u>	\$ <u>84,351,696</u>

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

Year	Principal	Interest	Total
2015.....	\$ 3,595,267	\$ 3,571,549	\$ 7,166,816
2016.....	3,672,833	3,426,144	7,098,977
2017.....	3,755,371	3,278,927	7,034,298
2018.....	4,204,685	3,136,165	7,340,850
2019.....	4,872,790	2,960,190	7,832,980
2020.....	5,486,210	2,744,651	8,230,861
2021.....	6,234,060	2,493,307	8,727,367
2022.....	6,443,480	2,228,936	8,672,416
2023.....	6,628,500	1,969,642	8,598,142
2024.....	6,848,500	1,696,580	8,545,080
2025.....	6,870,000	1,412,250	8,282,250
2026.....	6,705,000	1,119,431	7,824,431
2027.....	6,945,000	831,007	7,776,007
2028.....	5,035,000	529,956	5,564,956
2029.....	3,245,000	305,238	3,550,238
2030.....	1,910,000	163,700	2,073,700
2031.....	400,000	85,400	485,400
2032.....	375,000	67,500	442,500
2033.....	375,000	50,625	425,625
2034.....	375,000	33,750	408,750
2035.....	375,000	16,875	391,875
Total.....	\$ 84,351,696	\$ 32,121,823	\$ 116,473,519

Bonds and Notes Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Water.....	2029	\$ 13,043,000	2.00-6.75	\$ 7,826,500	\$ -	\$ (1,076,500)	\$ 6,750,000
Water Refunding.....	2022	2,043,795	2.00-3.125	1,321,330	-	(225,395)	1,095,935
MWPAT-Water.....	2027	7,190,614	2.00	5,335,667	-	(333,572)	5,002,095
Total water enterprise bonds payable.....				\$ 14,483,497	\$ -	\$ (1,635,467)	\$ 12,848,030

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

Year	Principal	Interest	Total
2015.....	\$ 1,615,226	\$ 356,821	\$ 1,972,047
2016.....	1,610,421	310,773	1,921,194
2017.....	1,605,455	263,285	1,868,740
2018.....	1,430,631	216,316	1,646,947
2019.....	1,219,576	175,200	1,394,776
2020.....	944,098	141,229	1,085,327
2021.....	861,676	114,126	975,802
2022.....	763,818	89,072	852,890
2023.....	655,861	67,999	723,860
2024.....	663,929	49,088	713,017
2025.....	535,660	29,878	565,538
2026.....	479,056	16,406	495,462
2027.....	442,623	5,526	448,149
2028.....	10,000	800	10,800
2029.....	10,000	400	10,400
Total.....	\$ <u>12,848,030</u>	\$ <u>1,836,919</u>	\$ <u>14,684,949</u>

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$251,499 and interest costs for \$63,831. Thus, net MCWT loan repayments, including interest, are scheduled to be \$634,052. The interest subsidies are guaranteed. The principal subsidies are supported through future investment income and are expected to be made, although not guaranteed. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2014 principal and interest subsidies totaled \$75,800 and \$45,805, respectively.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2014, the Town had the following authorized and unissued debt:

Purpose	Amount
Ames Hill Storage Tank.....	\$ 25,000
DPW Buildings.....	100,000
Solar Panels.....	85,000
High School.....	10,766,582
Roads.....	3,000,000
Town Hall Renovations.....	4,600,000
Total.....	\$ <u>18,576,582</u>

Changes in Long-term Liabilities

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

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 36,183,390	\$ -	\$ (2,823,755)	\$ 33,359,635	\$ 2,556,970
Add: Unamortized Premium.....	711,630	-	(72,583)	639,047	69,174
Total Long-Term Bonds and Notes.....	36,895,020	-	(2,896,338)	33,998,682	2,626,144
Landfill Closure.....	9,409,454	-	(375,000)	9,034,454	347,479
Compensated Absences.....	2,030,500	961,800	(884,600)	2,107,700	930,200
Other Postemployment Benefits.....	32,877,168	11,984,845	(5,271,015)	39,590,998	-
Total.....	<u>\$ 81,212,142</u>	<u>\$ 12,946,645</u>	<u>\$ (9,426,953)</u>	<u>\$ 84,731,834</u>	<u>\$ 3,903,823</u>
Business-Type Activities:					
Long-Term Bonds and Notes.....	\$ 102,358,498	\$ -	\$ (5,158,772)	\$ 97,199,726	\$ 5,210,493
Compensated Absences.....	230,600	76,200	(55,300)	251,500	61,700
Other Postemployment Benefits.....	672,203	267,394	(117,602)	821,995	-
Total.....	<u>\$ 103,261,301</u>	<u>\$ 343,594</u>	<u>\$ (5,331,674)</u>	<u>\$ 98,273,221</u>	<u>\$ 5,272,193</u>

Compensated absence liabilities related to governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. With the exception of compensated absence liabilities, the governmental long-term liabilities are generally liquidated by the general fund.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

In addition to the nonspendable fund balance, spendable fund balances are classified based on a hierarchy of spending constraints.

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

The Town has classified its fund balances with the following hierarchy:

GOVERNMENTAL FUNDS			
	General	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES:			
Restricted for:			
Town grant funds.....	\$ -	\$ 234,843	\$ 234,843
Town revolving funds.....	-	2,519,362	2,519,362
Town gift funds.....	-	312,784	312,784
Town receipts reserved.....	-	1,252	1,252
Town other funds.....	-	260,335	260,335
Town special articles.....	-	911	911
School revolving funds.....	-	2,015,892	2,015,892
School gift funds.....	-	30,999	30,999
School other funds.....	-	3,034	3,034
Restricted funds.....	-	2,735,294	2,735,294
Street projects.....	-	74,999	74,999
Town capital projects.....	-	2,468,738	2,468,738
Foster trust fund.....	-	25,886	25,886
Cemetery perpetual care.....	-	24,078	24,078
Committed to:			
General government.....	267,143	-	267,143
Public safety.....	799,313	-	799,313
Education.....	447,531	-	447,531
Public works.....	138,492	-	138,492
Culture and recreation.....	16,855	-	16,855
Assigned to:			
General government.....	49,227	-	49,227
Public safety.....	24,010	-	24,010
Education.....	46,727	-	46,727
Public works.....	116,002	-	116,002
Health and sanitation.....	8,812	-	8,812
Human services.....	5,773	-	5,773
Culture and recreation.....	5,691	-	5,691
Unassigned.....	9,521,671	(2,796,600)	6,725,071
TOTAL FUND BALANCES.....	\$ 11,447,247	\$ 7,911,807	\$ 19,359,054

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. At year end the unassigned balance of the general fund includes \$1,626,540 of stabilization fund and \$11,450 of fire gear stabilization fund.

NOTE 9 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. In addition, the Town is self-insured for damages not covered by commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is self-insured for its health insurance and workers' compensation activities. The health insurance and workers' compensation activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Incurred But Not Reported claims for workers' compensation are immaterial and therefore not reported.

Health Insurance

The estimate of Incurred But Not Reported (IBNR) claims is based on a one and one half-month claims paid average. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$150,000 per claim.

This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2012, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2014.....	\$ 1,593,002	\$ 15,509,914	\$ (15,695,144)	\$ 1,407,772
2013.....	1,390,858	17,065,760	(16,863,616)	1,593,002

NOTE 10 – PENSION PLAN

Plan Description - The Town contributes to the Middlesex County Retirement System (the "System"), a cost-sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement Board (the "Board"). Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$9,304,000 for the year ended June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and pension benefit expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 25 Linnell Circle, Billerica, MA 01821.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$5,936,583, \$5,568,609, and \$5,341,221, respectively, which equaled its required contribution for each year.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. For 2014, the Town contributed \$5.4 million to the plan, which includes \$350,000 of pre-funded future OPEB liabilities.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. The Town accounts for these contributions in the Other Postemployment Benefit Fund reported within the Fiduciary Funds financial statements. As of June 30, 2014, the balance of this fund totaled \$350,000.

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

Annual required contribution.....	\$ 12,028,575
Interest on net OPEB obligation.....	1,341,976
Adjustments to annual required contribution.....	<u>(1,118,312)</u>
Annual OPEB cost (expense).....	12,252,239
Contributions made.....	<u>(5,388,617)</u>
Increase in net OPEB obligation.....	6,863,622
Net OPEB obligation - beginning of year.....	<u>33,549,371</u>
Net OPEB obligation - end of year.....	<u>\$ 40,412,993</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 12,252,239	44%	\$ 40,412,993
6/30/2013	11,674,472	46%	33,549,371
6/30/2012	11,171,900	40%	26,649,190
6/30/2011	11,294,152	38%	19,974,435
6/30/2010	10,744,238	39%	12,961,432
6/30/2009	10,225,416	38%	6,384,543

Funded Status and Funding Progress – As of June 30, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$160 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$42 million, and the ratio of the UAAL to the covered payroll was 382 percent.

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

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

In the June 30, 2012 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.0% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend rate of 7% initially, graded to 4.5% over 6 years. The UAAL is being amortized over a 30 year open period assuming a 4% aggregate annual payroll growth. The remaining amortization period at June 30, 2012 is 30 years.

NOTE 12 – LANDFILL

In August 2009 the Town entered into a consent decree related to an environmental case associated with the Sutton Brook landfill. The consent decree, among other matters, obligated the Town to contribute \$10,159,454, over a 30 year period ending in 2040, into a trust established to remedy the environmental impact created by the landfill. Through 2014, the Town has paid \$1,125,000. Payments are \$347,479 per year.

NOTE 13 – COMMITMENTS

The Town continued the construction of the new Tewksbury Memorial High School. The total cost of the project was approved for approximately \$82,376,000 of which 60.06% will be reimbursed by the Massachusetts School Building Authority and the remainder to be funded through the issuance of debt. As of June 30, 2014, the project was substantially complete at a cost of approximately \$67,128,000.

NOTE 14 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2014, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include deferred outflows and inflows being presented in the Statement of Net Position. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in 2015.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 2015.

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

Required Supplementary Information

General Fund Budgetary Schedule

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

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 64,759,980	\$ 64,759,980	\$ 68,217,248
Motor vehicle and other excise taxes.....	-	3,529,133	3,529,133	3,529,133
Hotel/motel tax.....	-	621,013	621,013	621,013
Meals tax.....	-	400,000	400,000	400,000
Charges for services.....	-	837,591	837,591	837,591
Penalties and interest on taxes.....	-	350,000	350,000	350,000
Fees.....	-	569,480	569,480	569,480
Rentals.....	-	432,547	432,547	432,547
Payments in lieu of taxes.....	-	7,157	7,157	7,157
Licenses and permits.....	-	596,969	596,969	596,969
Fines and forfeitures.....	-	96,041	96,041	96,041
Intergovernmental.....	-	16,300,840	16,300,840	16,300,840
Departmental and other.....	-	35,000	35,000	35,000
Investment income.....	-	30,000	30,000	30,000
TOTAL REVENUES.....	-	88,565,751	88,565,751	92,023,019
EXPENDITURES:				
Current:				
General Government.....	73,723	2,420,860	2,494,583	3,065,831
Public Safety.....	36,843	10,632,858	10,669,701	12,099,574
Education.....	512,210	52,265,966	52,778,176	54,211,523
Public Works.....	151,900	1,922,715	2,074,615	2,962,191
Health and Sanitation.....	7,256	2,549,769	2,557,025	2,551,452
Human Services.....	271	442,036	442,307	651,784
Culture and Recreation.....	5,490	1,076,847	1,082,337	1,155,056
Pension benefits.....	-	4,548,923	4,548,923	4,548,923
Employee benefits.....	7,034	4,917,907	4,924,941	4,877,558
State and county charges.....	-	1,564,610	1,564,610	1,564,610
Debt service:				
Principal.....	-	2,823,910	2,823,910	2,823,755
Interest.....	-	1,418,754	1,418,754	1,418,909
TOTAL EXPENDITURES.....	794,727	86,585,155	87,379,882	91,931,166
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(794,727)	1,980,596	1,185,869	91,853
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	1,373,183	1,373,183	1,373,213
Transfers out.....	-	(3,513,779)	(3,513,779)	(5,332,507)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(2,140,596)	(2,140,596)	(3,959,294)
NET CHANGE IN FUND BALANCE.....	(794,727)	(160,000)	(954,727)	(3,867,441)
BUDGETARY FUND BALANCE, Beginning of year.....	5,075,245	5,075,245	5,075,245	6,805,266
BUDGETARY FUND BALANCE, End of year.....	\$ 4,280,518	\$ 4,915,245	\$ 4,120,518	\$ 2,937,825

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	68,455,357	\$ -	\$ 238,109
	4,240,655	-	711,522
	841,798	-	220,785
	573,001	-	173,001
	922,608	-	85,017
	461,018	-	111,018
	923,344	-	353,864
	454,220	-	21,673
	30,147	-	22,990
	759,883	-	162,914
	93,366	-	(2,675)
	16,433,759	-	132,919
	272,642	-	237,642
	23,231	-	(6,769)
	<u>94,485,029</u>	<u>-</u>	<u>2,462,010</u>
	2,713,001	316,370	36,460
	11,254,594	823,323	21,657
	52,688,824	494,258	1,028,441
	2,661,819	254,494	45,878
	2,540,600	8,812	2,040
	646,011	5,773	-
	1,123,391	22,546	9,119
	4,548,923	-	-
	4,445,060	-	432,498
	1,489,115	-	75,495
	2,823,755	-	-
	<u>1,417,440</u>	<u>-</u>	<u>1,469</u>
	<u>88,352,533</u>	<u>1,925,576</u>	<u>1,653,057</u>
	<u>6,132,496</u>	<u>(1,925,576)</u>	<u>4,115,067</u>
	1,800,455	-	427,242
	<u>(4,817,048)</u>	<u>-</u>	<u>515,459</u>
	<u>(3,016,593)</u>	<u>-</u>	<u>942,701</u>
	3,115,903	(1,925,576)	5,057,768
	<u>6,805,266</u>	<u>-</u>	<u>-</u>
\$	<u><u>9,921,169</u></u>	<u><u>(1,925,576)</u></u>	<u><u>5,057,768</u></u>

Retirement System Schedules of Funding Progress and Employer Contributions

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

**MIDDLESEX COUNTY RETIREMENT SYSTEM
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)
01/01/12	\$ 862,323,395	\$ 1,974,144,909	\$ 1,111,821,514	43.7%	\$ 393,100,995	282.8%
01/01/11	819,987,914	1,743,581,707	923,593,793	47.0%	384,933,571	239.9%
01/01/09	774,863,669	1,529,806,307	754,942,638	50.7%	360,206,302	209.6%
01/01/06	653,156,866	1,364,582,969	711,426,103	47.9%	330,999,861	214.9%
01/01/04	618,163,380	1,223,828,127	605,664,747	50.5%	306,025,949	197.9%
01/01/02	599,699,143	1,020,828,178	421,129,035	58.7%	280,740,439	150.0%
01/01/00	570,263,467	905,280,472	335,017,005	63.0%	253,228,818	132.3%
01/01/98	476,708,969	763,093,878	286,384,909	62.5%	215,380,186	133.0%
01/01/96	373,750,361	634,920,488	261,170,127	58.9%	218,345,024	119.6%

The Town's share of the UAAL, as of January 1, 2014, is approximately 6.69%.

See notes to required supplementary information.

**MIDDLESEX COUNTY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Plan Year Ended June 30	System Wide			Town of Tewksbury	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2014	\$ 88,723,254	\$ 88,723,254	100%	\$ 5,936,583	6.69%
2013	83,308,220	83,308,220	100%	5,568,609	6.68%
2012	79,640,599	79,640,599	100%	5,341,221	6.71%
2011	78,662,214	78,662,214	100%	5,723,975	7.28%
2010	76,146,963	76,146,963	100%	5,703,735	7.49%
2009	78,212,121	78,212,121	100%	5,426,876	6.94%
2008	72,050,318	72,050,318	100%	4,912,106	6.82%
2007	64,664,829	64,664,829	100%	4,289,132	6.63%
2006	60,169,717	60,169,717	100%	3,799,131	6.31%
2005	52,298,150	52,298,150	100%	3,052,839	5.84%
2004	52,902,366	52,902,366	100%	2,566,931	4.85%

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2012	\$ -	\$ 160,077,732	\$ 160,077,732	0%	\$ 41,964,868	381.5%
6/30/2010	-	160,622,133	160,622,133	0%	38,468,604	417.5%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2014	\$ 12,028,575	\$ 5,388,617	45%
6/30/2013	11,496,810	4,774,291	42%
6/30/2012	11,171,900	4,497,145	40%
6/30/2011	11,243,039	4,281,149	38%
6/30/2010	10,719,061	4,167,349	39%
6/30/2009	10,225,416	3,840,873	38%

The Town implemented GASB Statement No. 45 for the year ended June 30, 2009.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	June 30, 2012
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4%, closed
Amortization period.....	30 years as of June 30, 2012

Actuarial Assumptions:

Investment rate of return.....	4.0%, pay-as-you-go
Medical/drug cost trend rate.....	7% graded to 4.5% over 6 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	684
Current active members.....	<u>687</u>
Total	<u><u>1,371</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**1. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is reviewed by the Finance Committee (Committee). The Committee presents the annual budget to the open Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers less than \$1,500 within budget classifications require department and Town Manager approval while changes greater than \$1,500 require the additional approval of the Finance Committee. Increases or decreases between budget classifications subsequent to the approval of the annual budget requires majority vote at a Special Town Meeting.

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The initial 2014 approved budget, including amounts carried forward from the prior years authorized approximately \$90.9 million in appropriations and other amounts to be raised. There was an approximately \$5.5 million increase from the original budget to the final amended budget.

The Town Auditor's Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2014, is as follows:

Excess of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 3,115,903
<u>Perspective difference:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP.....	(1,129,974)
<u>Basis of accounting differences:</u>	
Net change in revenues in recording 60 day receipts.....	(152,143)
Net change in revenues in recording tax refunds payable.....	47,067
Increase in revenues due to on-behalf payments.....	9,303,823
Increase in expenditures due to on-behalf payments.....	<u>(9,303,823)</u>
Excess of revenues and other financing sources (uses) over expenditures - GAAP basis.....	\$ <u>1,880,853</u>

3. Appropriation Deficits

During 2014, actual expenditures and encumbrances exceeded appropriations for human services. These over expenditures will be funded by via the tax levy and other available funds during 2015.

NOTE B – PENSION PLAN

The Town contributes to the Middlesex County Retirement System (the “System”), a cost-sharing, multiple-employer defined benefit pension plan (the “Plan”) administered by the Middlesex Retirement Board (the Board). The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active current payroll.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

Valuation Date.....	January 1, 2012
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Prior year's total contribution increased by 6.5% for 2014 through 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, 2012, 7 years remaining for 2002 ERI liability; 8 years remaining for 2003 ERI liability; 10 years remaining for 2010 ERI liability and 23 years for remaining unfunded liability
Asset Valuation Method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a 5 year period as described by Revenue Procedure 2000-40

Actuarial Assumptions:

Investment rate of return.....	8.00%
Projected salary increases.....	4.75% for Group 1 and 5.25% for Group 4
Cost of living adjustments.....	3.00% of first \$14,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	4,886
Inactive participants entitled to a return of their employee contributions.....	2,708
Inactive participants with a vested right to a deferred or immediate benefit.....	394
Active participants.....	<u>8,979</u>
Total.....	<u><u>16,967</u></u>

NOTE C – OTHER POST EMPLOYMENT BENEFITS

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

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

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

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

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