

**TOWN OF MARION, MASSACHUSETTS**  
BASIC FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2014

**TOWN OF MARION, MASSACHUSETTS  
 BASIC FINANCIAL STATEMENTS AND  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2014**

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**Lynch, Malloy, Marini, LLP**  
*Certified Public Accountants & Advisors*

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Board of Selectmen  
Town of Marion, Massachusetts

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Marion, 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 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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Marion, 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 on pages v - xi, and schedule of funding progress - other post-employment benefits (OPEB) and the budgetary comparison information, on pages 40 through 43 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 May 19, 2015, on our consideration of the Town of Marion, 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 Marion, Massachusetts' internal control over financial reporting and compliance.

*Lynch, Malloy, Marini, LLP*

Norwell, Massachusetts  
May 19, 2015



Lynch, Malloy, Marini, LLP  
*Certified Public Accountants & Advisors*

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

To the Honorable Board of Selectmen  
Town of Marion, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Town of Marion, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Marion, Massachusetts' basic financial statements, and have issued our report thereon dated May 19, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

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## Purpose of this Report

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

*Lynch Malloy Marini, LLP*

Norwell, Massachusetts  
May 19, 2015



Lynch, Malloy, Marini, LLP  
Certified Public Accountants & Advisors  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWN OF MARION, MASSACHUSETTS**  
Management's Discussion and Analysis  
June 30, 2014

As management of the Town of Marion (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2014.

**Financial Highlights:**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$40.5 million (net position). Of this amount, \$1.1 million of governmental activities' unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The total cost of all Town services for fiscal 2014 was approximately \$25.4 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$3.5 million, or approximately 18.0% of general fund expenditures.

**Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of the following components: 1) government-wide financial statements 2) fund financial statements and 3) notes to financial statements. The notes to the financial statements provide information related to these changes which are essential in understanding the current financial statements and comparisons with previous years. Required supplementary information as required by the Government Accounting Standards Board (GASB) is presented to provide additional analysis.

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

The *statement of net position* presents information on all of the Town's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources resulting in the aggregate net position of the Town. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The reader should consider other non-financial factors, such as the condition of the Town's infrastructure and changes to the property tax base, in order to assess the overall health of the Town.

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

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

**TOWN OF MARION, MASSACHUSETTS**  
Management's Discussion and Analysis  
June 30, 2014

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

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

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Town's major funds. The Town's general fund, land acquisition fund and police building project fund are considered to be a major funds. The remaining funds are combined into aggregate funds in this presentation. Individual fund data for each of these non-major governmental funds is available from the Finance Director/Town Accountant's office.

The basic governmental fund financial statements can be found in the accompanying pages of this report.

**Proprietary funds:** The Town of Marion maintains two proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund operations.

The basic proprietary fund financial statements can be found in the accompanying pages of this report.

**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 programs. The Town's fiduciary activities consist primarily of amounts maintained in a trust fund for funding of future insurance costs related to retirees, referred to as the "Other Post-Employment Benefits" (OPEB) trust fund and funds restricted related to the Town's landfill closure and post-closure monitoring. Additional amounts held as agency funds relate primarily to student activity funds and police details.

The basic fiduciary fund financial statements can be found in the accompanying pages of this report.

**TOWN OF MARION, MASSACHUSETTS**  
Management's Discussion and Analysis  
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**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements described above.

**Required supplementary information:** The Town adopts an annual budget for its general fund. A budgetary comparison schedule (supplemental information) has been provided for the general fund to demonstrate compliance with the budget. Additionally, the Town reports the schedule of funding progress for its Other Post Employment Benefit Plan (OPEB) Plan.

**Government-Wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial condition. In the case of the Town of Marion, assets exceeded liabilities and deferred inflows of resources by \$24.6 million and \$15.9 million for the governmental and business-type activities, respectively, at the close of the most recent fiscal year as demonstrated in the following table.

	FY2014	FY2013	FY2014	FY2013
	Governmental	Governmental	Business-type	Business-type
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Current assets	\$ 12,517,872	\$ 14,578,576	\$ 12,662,391	\$ 14,724,142
Capital assets, net	<u>26,387,816</u>	<u>25,530,221</u>	<u>28,564,088</u>	<u>29,006,359</u>
Total assets	38,905,688	40,108,797	41,226,479	43,730,501
Current liabilities	3,111,723	4,334,204	2,005,974	2,873,231
Long term liabilities	<u>9,988,290</u>	<u>9,771,210</u>	<u>22,934,269</u>	<u>24,625,356</u>
Total liabilities	13,100,013	14,105,414	24,940,243	27,498,587
Deferred inflows of resources	1,208,456	1,090,070	384,369	404,964
Net investment in capital assets	20,179,177	19,647,469	6,223,790	5,542,408
Restricted	3,363,370	3,273,304		
Unrestricted	<u>1,054,672</u>	<u>1,992,540</u>	<u>9,678,077</u>	<u>10,284,542</u>
Total net position	<u>\$ 24,597,219</u>	<u>\$ 24,913,313</u>	<u>\$ 15,901,867</u>	<u>\$ 15,826,950</u>

Included within the governmental activity current assets, unrelated to capital assets, are \$3.9 million in cash, \$6.4 million in investments and \$2.1 million of receivables, net of allowances for uncollectible. Business-type activity currents include \$5.8 million in cash and \$6.8 million for water and sewer charges receivable, inclusive of \$5.7 million of sewer betterments.

Deferred inflows of resources for governmental activities of \$1.2 million consist of \$1.1 million of deferred revenue associated with the Town's MA highway awards and \$112,000 of unamortized bond premiums. Deferred inflows of resources for the business-type activities consist of \$384,000 on unamortized bond premiums.

Governmental activity noncurrent liabilities consisted primarily of \$5.0 million in general obligation bonds payable, \$4.1 million of net other post-employment benefits, \$.4 million for estimated post-closure landfill monitoring costs and \$.4 million of compensated absences. The remaining amounts are classified as current liabilities because a portion is due in fiscal year 2015. Business-type activities noncurrent liabilities consisted mainly of bonds payable of \$22.9 million, of which \$6.6 million and \$16.3 million relate to the water and sewer operations respectively.

See Independent Auditor's Report.

**TOWN OF MARION, MASSACHUSETTS**  
Management's Discussion and Analysis  
June 30, 2014

The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt and deferred outflows of resources associated with acquiring those assets. The Town's governmental and business-type activities combined net investment in capital assets at year end is \$26.4 million, or 65.2%. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position are subject to restrictions placed on how they may be used. Restricted net position of \$3.4 million represent about 8.3% of the Town's combined net position. The remaining balance of net position is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position. Certain prior year amounts have been reclassified to correspond with current year presentation.

	FY2014 Governmental Activities	FY2013 Governmental Activities	FY2014 Business-type Activities	FY2013 Business-type Activities
Revenues:				
Charges for services	\$ 1,340,946	\$ 1,312,472	\$ 3,847,991	\$ 3,811,508
Operating grants and contributions	1,823,720	2,087,659	172,812	176,768
Capital grants and contributions	161,739	280,440		
General revenues:				
Property taxes	16,442,296	16,038,655		
Excise taxes	777,145	744,034		
Penalties and interest	104,106	99,680		
Grants, contributions and other receipts not restricted	493,524	554,989		
Interest income	95,274	29,536	9,041	9,190
Premiums on debt issuance, net		52,113		32,905
Transfers	<u>(125,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Total revenue and transfers	21,113,750	21,099,578	4,029,844	4,030,371
Expenses:				
General Government	1,840,146	1,379,910		
Public Safety	2,815,736	2,915,476		
Education	10,675,897	10,391,846		
Public Works	1,461,975	1,486,070	3,911,727	3,649,130
Human Services	234,870	237,757		
Culture and Recreation	509,354	563,649		
Interest and other charges	185,132	231,071		
Employee benefits and other costs	3,670,373	3,552,695		
State and county assessments	<u>79,561</u>	<u>75,941</u>	<u>-</u>	<u>-</u>
	<u>21,473,044</u>	<u>20,834,415</u>	<u>3,911,727</u>	<u>3,649,130</u>
Change in net position	<u>\$ (359,294)</u>	<u>\$ 265,163</u>	<u>\$ 118,117</u>	<u>\$ 381,241</u>

**TOWN OF MARION, MASSACHUSETTS**  
Management's Discussion and Analysis  
June 30, 2014

Governmental activities:

Revenues:

- Property taxes of \$16.4 million represent 77.4% of the Town's governmental activity revenue. Property tax growth represents a combination of an annual increase, allowed in the tax levy under Proposition 2 ½, excluded debt and new growth. The Town was below the maximum allowable tax levy for fiscal year 2014.
- Operating grants and contributions make up the second largest revenue source, representing 8.6% of the Town's total governmental activity revenue. This consisted of grants, contributions and other receipts associated with governmental activities.
- Charges for services represented 6.3% of total governmental activities' revenues.

Expenses:

- General government expenses increased over the prior year primarily due to an increase in EMT personnel. The Town accounts for these salaries under general government for financial reporting purposes. Additional increases are attributable to current year software, disaster recovery upgrades, and other various expenses.
- Education expenses increased approximately 8% over the previous year for increases in salaries, operating expenses and regional assessments.

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

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8.0 million. Approximately \$2.8 million, or 35.1% of this total amount constitutes fund balance restricted for specific purposes. Additionally, approximately \$1.6 million, or 19.9% has been reported as committed, \$1.3 million, or 15.7% has been reported as assigned, and the remaining \$2.4 million, or 29.3% has been reported as unassigned fund balance at year end. Additional disclosures related to these fund balance classifications have been detailed in the notes to the financial statements.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3.5 million, an decrease of approximately \$300,000 from the previous year. It should be noted that Government Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, requires the Town's stabilization fund to be included in the general fund since there is no specific revenue source associated with it. Additionally, the Town has included the land acquisition fund in the general fund, since the surcharge associated with the fund is no longer applicable. As of June 30, 2014, the Town maintained a balance in the stabilization fund and the land acquisition fund of \$1,991,814 and \$364,759 respectively. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures and revenues. General fund unassigned fund balance represents approximately 18.0% and 18.1%, of expenditures and revenues respectively. This represents a slight decrease from the previous year in which unassigned fund balance represented 20.5% and 20.1% of total general fund expenditures and revenues, respectively.

See Independent Auditor's Report.

**TOWN OF MARION, MASSACHUSETTS**  
Management's Discussion and Analysis  
June 30, 2014

**General Fund Budgetary Highlights**

The difference between the original expenditure budget of \$20.7 million and the final amended expenditure budget of \$19.8 million is comprised primarily of encumbrances and continuing appropriations (warrant articles) into future periods.

**Capital Asset and Debt Administration**

**Capital assets** - The Town's investment in capital assets for governmental activities as of June 30, 2014 is \$26.4 million, which was net of accumulated depreciation of \$14.8 million. Town's investment in capital assets for business-type activities (water and sewer funds) as of June 30, 2014 is \$28.6 million, which is net of accumulated depreciation of \$7.2 million. The investment in capital assets includes land; construction in progress; construction, infrastructure, machinery, equipment and vehicles. The table below represents a summary of the Town's capital assets, net of accumulated depreciation by category (in millions).

	<b>Governmental</b>		<b>Business-type</b>	
	<b>Activities</b>		<b>Activities</b>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land and land conservation	\$ 8.6	\$ 8.3	\$ 0.4	\$ 0.4
Construction in progress	1.4	0.2	6.6	6.4
Land improvements		0.1		0.1
Construction and infrastructure	15.5	16.1	21.0	21.5
Machinery, equipment and licensed vehicles	<u>0.1</u>	<u>0.8</u>	<u>0.6</u>	<u>0.6</u>
Total capital assets	<u>\$ 26.4</u>	<u>\$ 25.5</u>	<u>\$ 28.6</u>	<u>\$ 29.0</u>

Current year governmental activity additions to capital assets totaled about \$2.9 million, consisting primarily of construction in progress of \$1.2 million related to ongoing roadway and infrastructure improvements, \$300,000 purchase of land through the community preservation fund, and various machinery and vehicles totaling \$132,000. The business-type activities additions to capital assets aggregated approximately \$280,000 of construction in progress related to infrastructure projects and vehicles of \$129,000 and \$151,000 related to the water and sewer funds respectively.

**Long-term debt** - At the end of the current fiscal year, the Town's governmental activities had bonded debt outstanding of \$5.5 million, compared to \$5.6 million the previous year. The Town's business-type activities had bonded debt outstanding of \$24.0 million at the end of the current fiscal year, compared to \$25.2 million the previous year. All debt is a general obligation of the Town.

The Town maintains an AAA rating by Standard & Poor's Rating Services as of September 2013.

**TOWN OF MARION, MASSACHUSETTS**  
Management's Discussion and Analysis  
June 30, 2014

**Economic Factors and Next Year's Budgets and Rates**

- The Town's fiscal year 2015 tax levy was approved at \$16.5 million, increasing approximately \$347,000, or 2.2% over fiscal year 2014.
- The Town continued to maintain a single tax rate for fiscal year 2015, amounting to \$11.11 per thousand dollars of property valuation, compared to \$10.59 the previous year.

**Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Marion, Attn: Finance Director/Town Accountant, Town Hall, 2 Spring Street, Marion, MA 02738.

**BASIC FINANCIAL STATEMENTS**

**TOWN OF MARION, MASSACHUSETTS**  
Statement of Net Position  
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash	\$ 3,928,996	\$ 5,842,127	\$ 9,771,123
Investments	6,427,971		6,427,971
Receivables, net of allowance for uncollectible	2,148,570	6,820,264	8,968,834
Due from agency fund	12,335		12,335
Capital assets, net of accumulated depreciation	26,387,816	28,564,088	54,951,904
Total assets	\$ 38,905,688	\$ 41,226,479	\$ 80,132,167
 <b><u>LIABILITIES</u></b>			
Accounts payable and other accrued expenses	\$ 1,008,861	\$ 120,730	\$ 1,129,591
Provision for refund of paid taxes	19,000		19,000
Salaries, withholdings and benefits payable	703,799		703,799
Accrued interest	81,746	217,952	299,698
Notes payable	769,887	310,000	1,079,887
Notes payable - ARRA		119,550	119,550
Contractor retainage	50,130		50,130
Noncurrent liabilities:			
Due within one year	478,300	1,237,742	1,716,042
Due in more than one year	9,988,290	22,934,269	32,922,559
Total liabilities	13,100,013	24,940,243	38,040,256
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred revenue	1,096,392		1,096,392
Unamortized bond premiums	112,064	384,369	496,433
Total deferred inflows of resources	1,208,456	384,369	1,592,825
 <b><u>NET POSITION</u></b>			
Net investment in capital assets	20,179,177	6,223,790	26,402,967
Restricted	3,363,370		3,363,370
Unrestricted	1,054,672	9,678,077	10,732,749
Total net position	24,597,219	15,901,867	40,499,086
Total liabilities, deferred inflows of resources and net position	\$ 38,905,688	\$ 41,226,479	\$ 80,132,167

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

**TOWN OF MARION, MASSACHUSETTS**  
Statement of Activities  
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Primary Government			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities	\$ 1,840,146	\$ 226,846	\$ 59,362	\$	\$ (1,553,938)	\$ (1,553,938)
General Government	2,815,736	582,226	68,115	(2,165,395)	(2,165,395)	(2,165,395)
Public Safety	10,675,897	273,530	745,970	(9,656,397)	(9,656,397)	(9,656,397)
Education	1,461,975	115,802	12,292	(1,172,142)	(1,172,142)	(1,172,142)
Public Works	234,870	582	32,059	(202,229)	(202,229)	(202,229)
Human services	509,354	141,960	49,583	(317,811)	(317,811)	(317,811)
Culture and Recreation	3,670,373		856,339	(2,814,034)	(2,814,034)	(2,814,034)
Employee benefits and other insurances	185,132			(185,132)	(185,132)	(185,132)
Interest, issuance costs and other charges	79,561			(79,561)	(79,561)	(79,561)
State and county assessments						
Total governmental activities/ primary government	21,473,044	1,340,946	1,823,720	161,739	(18,146,639)	(18,146,639)
Business-type activities:						
Water	1,521,153	1,799,199			278,046	278,046
Sewer	2,390,574	2,048,792		172,812	(168,970)	(168,970)
Total business-type activities	3,911,727	3,847,991		172,812	109,076	109,076
Total primary government	\$ 25,384,771	\$ 5,188,937	\$ 1,996,532	\$ 161,739	(18,146,639)	(18,037,563)
General revenues:						
Property taxes, net of allowances for uncollectibles				16,442,296		16,442,296
Excise taxes, net of allowances for uncollectibles				777,145		777,145
Penalties and interest on taxes				104,106		104,106
Grants, contributions and other revenues not restricted to specific programs				493,524		493,524
Interest income				95,274	9,041	104,315
Total general revenues				17,912,345	9,041	17,921,386
Transfers:						
Contribution to OPEB Trust fund - fiduciary fund				(125,000)		(125,000)
Total transfers				(125,000)		(125,000)
Change in net position				(359,294)	118,117	(241,177)
Net position - beginning, restated, Note 16				24,956,513	15,783,750	40,740,263
Net position - ending				\$ 24,597,219	\$ 15,901,867	\$ 40,499,086

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

**TOWN OF MARION, MASSACHUSETTS**  
 Balance Sheet - Governmental Funds  
 June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash	\$ 2,130,845	\$ 1,798,151	\$ 3,928,996
Investments	5,159,117	1,268,854	6,427,971
Receivables	947,763	1,256,407	2,204,170
Due from agency fund	12,335		12,335
Interfund receivables	25,559		25,559
Total assets	\$ 8,275,619	\$ 4,323,412	\$ 12,599,031
<b><u>LIABILITIES</u></b>			
Accounts payable and other current liabilities	\$ 500,174	\$ 508,687	\$ 1,008,861
Provision for refund of paid taxes	19,000		19,000
Salaries, withholdings and benefits payable	703,799		703,799
Contractor retainage		50,130	50,130
Notes payable		769,887	769,887
Interfund payables		25,559	25,559
Total liabilities	1,222,973	1,354,263	2,577,236
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred revenue	889,534	1,103,254	1,992,788
Total deferred inflows of resources	889,534	1,103,254	1,992,788
<b><u>FUND BALANCES</u></b>			
Restricted	272,523	2,548,017	2,820,540
Committed	1,597,834		1,597,834
Assigned	792,552	465,980	1,258,532
Unassigned	3,500,203	(1,148,102)	2,352,101
Total fund balances	6,163,112	1,865,895	8,029,007
Total liabilities, deferred inflows of resources and fund balances	\$ 8,275,619	\$ 4,323,412	\$ 12,599,031

Amounts reported for governmental activities in the statement of net position are different because:	\$ 8,029,007
Total fund balances of governmental funds	8,029,007
Capital assets of \$41,180,084 net of accumulated depreciation of \$14,792,268, used in governmental activities are not financial resources and are not reported in funds.	26,387,816
Reporting on a full accrual basis requires an estimate for uncollectible accounts.	(55,600)
Certain deferred inflows of resources are reported on a full accrual basis. Additionally, certain of these deferred inflows of resources are accrued as revenue on a full accrual basis and not in funds.	784,332
Long-term liabilities are not due and payable in the current period and are not included in funds.	(10,466,590)
Reporting on full accrual basis requires associated interest and unamortized premiums be accrued.	(81,746)
Net position of governmental activities	\$ 24,597,219

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

**TOWN OF MARION, MASSACHUSETTS**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 15,869,015	\$ 254,961	\$ 16,123,976
Excise taxes	763,274	35,734	799,008
Penalties and interest	104,106		104,106
Fines and fees	163,621		163,621
Charges for services	152,831	575,395	728,226
Investment earnings	68,600	26,674	95,274
Departmental, contributions and other	403,534	138,960	542,494
Intergovernmental	1,801,139	567,451	2,368,590
Total revenues	19,326,120	1,599,175	20,925,295
 <b>Expenditures</b>			
Current:			
General government	1,533,698	616,433	2,150,131
Public safety	2,651,319	41,787	2,693,106
Education	9,863,375	446,967	10,310,342
Public works	1,278,730	1,299,716	2,578,446
Human services	204,340	13,878	218,218
Culture and recreation	298,600	164,630	463,230
State and county assessments	79,561		79,561
Employee benefits and other costs	2,930,093		2,930,093
Debt Service:			
Principal	444,000		444,000
Interest and other charges	201,625		201,625
Total expenditures	19,485,341	2,583,411	22,068,752
Revenues over (under) expenditures	(159,221)		(1,143,457)
 <b>Other financing sources (uses)</b>			
Transfers in	418,827	4,964	423,791
Transfers out	(129,964)	(418,827)	(548,791)
Total other financing sources (uses)	288,863	(413,863)	(125,000)
Revenues and other financing sources over (under) expenditures and other financing uses	129,642	(1,398,099)	(1,268,457)
 Fund balance, beginning of year, restated (Note 16)	6,033,470	3,263,994	9,297,464
Fund balance, end of year	\$ 6,163,112	\$ 1,865,895	\$ 8,029,007

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

**TOWN OF MARION, MASSACHUSETTS**  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances -  
 Governmental Funds to Statement of Activities  
 For the Year Ended June 30, 2014

Revenues and other financing sources over expenditures and other financing uses	\$ (1,268,457)
<p>Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.</p>	
Capital outlays during the fiscal year	1,657,709
Depreciation recorded for the fiscal year	(800,114)
<p>Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.</p>	
Net change in deferred revenue	359,956
Net change in allowance for uncollectible accounts	(1,501)
<p>The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net position in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.</p>	
Principal payments on long-term bonds	444,000
<p>The fund financial statements record interest on long-term debt when due. The government-wide financial statements report interest on long-term debt.</p>	
Net change in accrued interest expense and change in amortization of premiums	(28,507)
<p>Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:</p>	
OPEB - annual cost	(1,054,367)
OPEB - contributions	314,087
Estimated postclosure landfill monitoring costs	15,000
Compensated absences, net	2,900
Change in net position of governmental activities	\$ (359,294)

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

**TOWN OF MARION, MASSACHUSETTS**  
Statement of Proprietary Net Position - Proprietary Funds  
June 30, 2014

	<u>Business-type Activities</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Cash	\$ 3,545,631	\$ 2,296,496	\$ 5,842,127
Receivables, net of allowance for uncollectibles	373,279	6,446,985	6,820,264
Capital assets, net of accumulated depreciation	8,249,968	20,314,120	28,564,088
Total assets	<u>\$ 12,168,878</u>	<u>\$ 29,057,601</u>	<u>\$ 41,226,479</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and other current liabilities	\$ 22,004	\$ 98,726	\$ 120,730
Accrued interest	28,145	189,807	217,952
Notes payable		310,000	310,000
Notes payable - ARRA		119,550	119,550
Non-current liabilities:			
Due within one year	515,200	722,542	1,237,742
Due in more than one year	<u>6,598,085</u>	<u>16,336,184</u>	<u>22,934,269</u>
Total liabilities	7,163,434	17,776,809	24,940,243
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unamortized bond premiums	<u>129,802</u>	<u>254,567</u>	<u>384,369</u>
Total liabilities	129,802	254,567	384,369
<b><u>NET POSITION</u></b>			
Net investment in capital assets	3,246,611	2,977,179	6,223,790
Unrestricted	<u>1,629,031</u>	<u>8,049,046</u>	<u>9,678,077</u>
Total net position	4,875,642	11,026,225	15,901,867
Total liabilities, deferred inflows of resources and net position	<u>\$ 12,168,878</u>	<u>\$ 29,057,601</u>	<u>\$ 41,226,479</u>

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

**TOWN OF MARION, MASSACHUSETTS**  
Statement of Revenues, Expenses and Changes in Proprietary Net Position - Proprietary Funds  
For the Year Ended June 30, 2014

	<b>Business-type Activities</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Operating revenues</b>			
Charges for services	\$ 1,778,041	\$ 2,032,454	\$ 3,810,495
Penalties and interest	21,158	16,338	37,496
Total operating revenues	1,799,199	2,048,792	3,847,991
<b>Operating expenses</b>			
Salaries and wages	389,168	438,804	827,972
Contracted services	370,447	340,927	711,374
Supplies and other expenses	391,208	307,096	698,304
Depreciation	121,350	601,684	723,034
Total operating expenses	1,272,173	1,688,511	2,960,684
<b>Operating income</b>	527,026	360,281	887,307
<b>Non-operating revenues (expenses)</b>			
Investment income	4,305	4,736	9,041
Intergovernmental subsidy		172,812	172,812
Interest expense and debt charges	(248,980)	(702,063)	(951,043)
Total non-operating revenue (expenses)	(244,675)	(524,515)	(769,190)
Change in net position	282,351	(164,234)	118,117
Net position at beginning of year, restated	4,593,291	11,190,459	15,783,750
Net position at end of year	\$ 4,875,642	\$ 11,026,225	\$ 15,901,867

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

**TOWN OF MARION, MASSACHUSETTS**  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended June 30, 2014

	<b>Business-type Activities</b>		
	<b>Water Operation</b>	<b>Sewer Operation</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>			
Receipts from customers and users	\$ 1,706,498	\$ 2,223,224	\$ 3,929,722
Payments to vendors	(641,057)	(451,886)	(1,092,943)
Payments to employees	(203,026)	(262,505)	(465,531)
Payments for interfund services	(280,138)	(268,760)	(548,898)
Net cash provided by operating activities	582,277	1,240,073	1,822,350
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(129,341)	(151,422)	(280,763)
Drawdowns on MWPAT financing		62,989	62,989
Repayment of refunded bond principal	(1,454,000)	(66,000)	(1,520,000)
Principal payments on bonds and notes	(518,000)	(705,866)	(1,223,866)
Interest and other costs	(268,603)	(492,405)	(761,008)
Net cash provided by capital and related financing activities	(2,369,944)	(1,352,704)	(3,722,648)
<b>Cash flows from investing activities</b>			
Investment income	4,305	4,736	9,041
Net change in cash and cash equivalents	(1,783,362)	(107,895)	(1,891,257)
Cash and cash equivalents at beginning of year	5,328,993	2,404,391	7,733,384
Cash and cash equivalents at end of year	\$ 3,545,631	\$ 2,296,496	\$ 5,842,127
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 527,026	\$ 360,281	\$ 887,307
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	121,350	601,684	723,034
Changes in assets and liabilities - operating activities:			
User fees receivable, net of allowance for collectibles	(92,683)	174,432	81,749
Accounts payable, other current liabilities and benefits	26,584	103,676	130,260
Total adjustments	55,251	879,792	935,043
Net cash provided by (used for) operating activities	\$ 582,277	\$ 1,240,073	\$ 1,822,350
<b>Schedule of non-cash activities related to capital and related financing:</b>			
Amortization of debt premiums	\$ (7,867)	\$ (12,728)	\$ (20,595)
Interest accrued, net change	(11,756)	(10,827)	(22,583)

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

**TOWN OF MARION, MASSACHUSETTS**  
Statement of Net Position - Fiduciary Funds  
June 30, 2014

	<b>OPEB Trust Fund</b>	<b>Landfill Postclosure Fund</b>	<b>Agency Accounts</b>
<b><u>ASSETS</u></b>			
Cash	\$ 354,836	\$ 468,539	\$ 14,520
Investments			14,102
Amounts due from others			
Total assets	<u>\$ 354,836</u>	<u>\$ 468,539</u>	<u>\$ 28,622</u>
<b><u>LIABILITIES</u></b>			
Due to others and other current liabilities	\$	\$	\$ 16,287
Due to the general fund			12,335
Total liabilities			28,622
<b><u>NET POSITION</u></b>			
Amounts held in trust	<u>354,836</u>	<u>468,539</u>	
Total liabilities and net position	<u>\$ 354,836</u>	<u>\$ 468,539</u>	<u>\$ 28,622</u>

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

**TOWN OF MARION, MASSACHUSETTS**  
Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2014

	<u>OPEB Trust Fund</u>	<u>Landfill Postclosure Fund</u>
<b>Revenues</b>		
Interest and dividends	\$ 37,191	\$ 7,691
Total revenues	37,191	7,691
<b>Expenses</b>		
Public works	_____	23,732
Total expenses		23,732
<b>Transfers</b>		
Transfers in	_____ 125,000	_____
Change in net position	162,191	(16,041)
Net position at beginning of year	_____ 192,645	_____ 484,580
Net position at end of year	<u>\$ 354,836</u>	<u>\$ 468,539</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**TOWN OF MARION, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2014

**Note 1. Organization and Reporting Entity**

**A. Organization**

The Town of Marion, Massachusetts (the "Town"), was incorporated in 1852. The Town operates under a Town Meeting form of government. The Town's major operations include police and fire protection, public works, elementary education, and general administrative services. In addition, the Town owns and operates both water and sewerage systems.

**B. Reporting Entity**

*General*

The accompanying financial statements present the Town of Marion, Massachusetts (the primary government) and its component units.

The Marion Library Association (the Library), a not-for-profit organization organized under the laws of the Commonwealth of Massachusetts, operates the public library which serves the Town of Marion. Pursuant to a historical arrangement between the Town and the Library, the Library occupies a Town owned building rent free and an annual assessment (approved at Town Meeting) is paid by the Town as the primary support for library services being provided. The Town's assessment for fiscal year 2014 was \$147,491.

The Town has not reported the Library as a component unit in the accompanying financial statements. Financial information of the Library can be obtained by contacting them directly at: Marion Library Association, 8 Spring Street, MA. 02738.

*Joint Ventures*

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The Town belongs to cost-sharing groups established pursuant to MGL for pension and health insurance benefits. See accompanying notes herein.

The following is a list of additional significant joint ventures in which the Town participates, their purpose, and the annual assessment or payments paid by the Town. Financial information may be obtained from each joint venture by contacting them directly.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2014 Payments</u>
Old Rochester Regional School District 135 Marion Road Mattapoisett, MA 02739	To provide secondary education	\$ 3,963,515
Upper Cape Cod Regional Technical High School 220 Sandwich Rd, Bourne, MA 02532	To provide secondary vocational education	\$ 221,170
Mattapoisett River Valley Water District P.O. Box 1055 Mattapoisett, MA 02739	To provide joint water treatment facilities for member towns of Marion, Mattapoisett, Fairhaven and serving Rochester	\$ 275,411
Southeastern Massachusetts Educational Collaborative 12 Wellesley Road New Bedford, MA 02748	To provide specialized education to students of member communities	\$ 148,327

**TOWN OF MARION, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2014 Pavments</u>
Marion-Rochester Regional Health District 2 Spring Street Marion, MA 02738	To provide regional health services	\$ 47,232
Carver/Marion/Wareham Regional Refuse Disposal District 2 Spring Street, Marion, MA	To provide refuse disposal facilities	none

The Old Rochester Regional School District (the District) is governed by a nine (9) member school committee consisting of three (3) elected representatives of the Town of Marion. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. The Town's share of the capital costs was approximately 26%.

The Upper Cape Cod Regional Technical High School (the District) is governed by a nine (9) member school committee. The Town of Marion has one (1) representative on the District's school committee. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. The Town's share of the capital costs was approximately 6%.

There was no assessment from the Carver/Marion/Wareham Regional Refuse Disposal District for the fiscal year 2014.

**Note 2. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police and fire protection, public works, schools, recreation, human services and general administrative services are classified as governmental activities. The Town's water and sewer services are classified as business-type activities.

Government-wide Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources as well as deferred inflows of resources and other long-term obligations reported on a full accrual basis. The Town's net position is reported in three parts— net investment in capital assets; restricted net position, and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

## TOWN OF MARION, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue. Certain costs, such as employee fringe benefits, property and liability insurance, among others are not allocated among the Town's functions and are reported as a separate functional expense in the Statement of Activities, this includes teacher pension benefit contributions made on the Town's behalf. None of these costs are allocated among the respective functions.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

### Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following governmental fund types are used by the Town:

#### Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

#### Major Funds

- General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. See also Note 3C.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.
- Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. Currently, the Town does not utilize a debt service fund.

## TOWN OF MARION, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2014

- Capital projects funds are 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. It excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The Town accounts for certain capital asset acquisitions (capital outlay) through the general fund's budgetary process, as well as through certain special revenue funds. Currently, the Town has determined that capital project funds are to account for and report capital assets to be financed through the issuance of long term debt.
- Permanent funds are used to account for and report financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental program.

#### Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs. Although debt related to the water and sewer funds are not secured solely with water and sewer fund net revenues, the Town has decided to report them as major proprietary funds in the accompanying financial statements.

#### Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

- Private purpose and other trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements. The Town currently does not maintain any funds which have been classified as private purpose trust funds.
- OPEB Trust fund accounts for resources held in trust for providing future benefits for "other post-employment benefits" in the form of health insurance for eligible retired Town employees. Pursuant to Massachusetts General Law, amounts set aside in this trust fund are legally restricted solely for funding this future obligation and are not subject to claims of any general creditor of the Town.
- Landfill Post-closure fund accounts for resources held specifically for landfill post-closure monitoring. See Note 13.

## TOWN OF MARION, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2014

- Agency funds are used to hold funds on behalf of parties other than the Town. Agency funds are custodial in nature and do not involve measurement of results of operations. Student activity accounts, amounts generated by and maintained for the benefit of students, have been classified as agency funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column entitled Other Governmental Funds. GASB sets forth minimum criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held in a fiduciary capacity and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

### **B. Measurement Focus and Basis of Accounting**

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

Governmental fund financial statements are reported using the 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 property tax revenues are considered available if they are collected within 60 days after fiscal 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.

### **C. Cash and Investments**

The Town has adopted formal deposit and investment policies. The Town Treasurer manages funds pursuant to these policies.

For the purpose of the Statement of Net Position, Balance Sheet and proprietary funds' Statement of Cash Flows, "cash" include all demand and savings accounts. Certificates of deposit have been classified as investments.

## TOWN OF MARION, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2014

Investments are reported at fair value which is determined using selected bases. Short-term investments with maturity dates of not more than ninety days from date of purchase are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash and certificates of deposit are reported at carrying value which reasonably estimates fair value. Additional cash and investment information, and fair values are presented in these Notes.

#### **D. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

#### **E. Receivables**

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes and motor vehicle and boat excise three years or more years old as uncollectible for financial reporting purposes. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectible. The Town also considers outstanding water and sewer charges to be fully collectible because amounts can also be secured by lien.

#### **F. Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

##### Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost. The Town generally utilizes a capitalization threshold of \$10,000.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤ Land improvements	20 years
➤ Construction	40 years
➤ Infrastructure	10-40 years
➤ Machinery and Equipment	5-30 years
➤ Vehicles	5- 8 years

## TOWN OF MARION, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

### **G. Deferred Outflows and Deferred Inflows**

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on net position and are reported after assets when applicable. The Town has not reported and deferred outflows of resources as of June 30, 2014. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on net position and are reported after liabilities when applicable. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

### **H. Liabilities**

Liabilities represent *present obligations* to sacrifice resources for which the government has *little or no discretion to avoid*. The primary focus is on the obligation for the government to perform. The accounting treatment for these obligations depends on whether they are reported in the government-wide or fund financial statements.

Current liabilities are reported in both the fund and government-wide financial statements. Current liabilities represent obligations incurred in the operating cycle for acquisition goods, services, accruals for salaries/wages, vacation accruals, and other obligations due or generally expected to be liquidated within one year from the balance sheet date. Government-wide financial statements also report other current liabilities such as accrued interest, which is reported on a full accrual basis.

### **I. Compensated Absences**

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

### **J. Equity Classifications**

#### Government-wide Statements

Equity is classified as net position and displayed in three components:

- Net investment in capital assets— This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

**TOWN OF MARION, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2014

- Restricted — This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted—This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The Town utilizes funds for qualifying activities pursuant to the following hierarchy. Fund balances can be classified into the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting (the highest level of authority) and require such action to remove the constraint.
- Assigned fund balance -- consist of amounts that are constrained by the Town's intent to be used for a specific purpose. Intent is expressed by (a) the governing body itself, or (b) a body, or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Amounts are generally assigned by the governing body, or committee, or department head responsible for respective budgeted appropriations. Amounts may also be assigned by action of Town Meeting votes.
- Unassigned fund balance – represents the residual classification for the general fund. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

**K. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

**TOWN OF MARION, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2014

**L. Total Columns**

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

The total column presented 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 3. Stewardship, Compliance, and Accountability**

**A. Property Tax Calendar and Limitations**

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls ("new growth"). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

The Town maintains a Community Preservation Fund, in accordance with Massachusetts General Laws, which mandates these funds be spent in the following areas: open space, affordable housing and historic resources. Appropriations are made via Town Meeting vote. A 2% surcharge is added to the real estate tax bill, and contributions are potentially available by the state annually.

**B. Budgetary basis of accounting**

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. All regional school district assessments are a result of the respective district's school committee budgetary process and regional agreement. All assessments must be accepted by Town Meeting vote. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted; the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

**TOWN OF MARION, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2014

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). A comparison of the general fund's budget to actual amounts on a "budgetary basis" is provided as required supplementary information to provide a meaningful comparison with the budget.

**C. Fund Equities**

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2014, the classification of the Town's fund balances can be detailed as follows:

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>Restricted:</b>			
General government	\$	\$ 248,363	\$ 248,363
Public safety		396,301	396,301
Education		389,096	389,096
Public works		145,505	145,505
Human service		77,723	77,723
Culture & recreation		85,187	85,187
Capital outlay		26,720	26,720
Debt service	72,523		72,523
To fund OPEB Trust fund	200,000		200,000
Community preservation:			
Community housing		59,923	59,923
Open space and recreation		63,273	63,273
Historic		132,203	132,203
Other	-	930,723	930,723
subtotal	272,523	2,548,017	2,820,540
<b>Committed:</b>			
General government	432,588		432,588
Public safety	261,492		261,492
Education	265,990		265,990
Public works	73,005		73,005
Land acquisition	364,759		364,759
Capital outlay	200,000	-	200,000
subtotal	1,597,834	-	1,597,834
<b>Assigned:</b>			
General government	12,470	192,708	205,178
Public safety	5,149		5,149
Education	103,673		103,673
Public works	23,766	114,486	138,252
Human service		157,993	157,993
Culture & recreation	510	793	1,303
Employee benefits and other costs	1,264		1,264
Next year's operating budget and other	645,720	-	645,720
subtotal	792,552	465,980	1,258,532
<b>Unassigned</b>			
	3,500,203	(1,148,102)	2,352,101
Total fund balance	<u>\$ 6,163,112</u>	<u>\$ 1,865,895</u>	<u>\$ 8,029,007</u>

# TOWN OF MARION, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

The Town maintains a stabilization fund in accordance with provisions of Massachusetts General Laws (MGL). This fund reports funds set aside by Town Meeting vote for further appropriation or in accordance with MGL for the Board of Selectmen to perform interfund borrowings during the year. Since the fund is not supported by specific revenue sources, it is included with the general fund unassigned fund balance. The Town transferred \$100,000 into the stabilization fund during fiscal year 2014. As of June 30, 2014, the Town maintained a balance in the fund of \$1,991,814. At the May 2014 Annual Town Meeting, the Town appropriated \$20,000 to be transferred into the stabilization fund. Additionally, Town Meeting approved establishing additional stabilization funds to be maintained for school expenditures and capital improvements, in the amounts of \$200,000 for each. These amounts have been reported as committed fund balance within the education and capital outlay classifications in the above table.

Additionally, the Town maintains a land acquisition fund which was originally established by special legislation in 1998, establishing a property surcharge. The surcharge associated with this fund has since ceased and the Town subsequently adopted the Community Preservation Act, pursuant to MGL. Accordingly, the funds in the land acquisition fund have no future revenue stream. Town Meeting is responsible for approving any appropriations from this fund. The balance in this fund was \$364,759 at June 30, 2014. It has been reported as committed for land acquisition in the above table.

The Town reported deficit unassigned fund balances of \$1,148,102. This was primarily due to roadway improvement projects for which permanent financing has not yet been performed in the amount of approximately \$1.1 million. The balance of approximately \$25,000 is related to several education and school lunch grants and police grants in the amounts of \$14,000 and \$11,000 respectively.

### **D. Restricted Net Position**

Restricted net position on the government-wide statement of net position consists of the following:

Community preservation act fund	\$ 1,185,984
Land acquisition	364,759
Waterways fund	303,232
School building lease fund	244,638
Marion affordable housing trust fund	157,993
Music Hall restoration fund	100,474
Chester Vose fund	95,218
Other gifts and donations	224,489
Other grants, revolving and special revenue funds	<u>686,583</u>
Total restricted net position	<u>\$ 3,363,370</u>

**TOWN OF MARION, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2014

**Note 4. Cash and Investments**

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. The OPEB Trust fund (fiduciary fund) is invested in accordance with MGL Chapter 203C. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. The Town may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value. The Town has adopted formal depository and investment policies.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. At June 30, 2014 cash deposits totaled \$10,424,959 and had a carrying amount of \$9,785,643. Of the deposit amounts, \$10,019,020 was insured and \$405,939 was exposed to custodial credit risk because it was uninsured and uncollateralized in securities specifically in the Town's name. The difference between deposit amounts and carrying amounts primarily represents outstanding checks and deposits in transit.

The Town's governmental activities' investments as of June 30, 2014 consisted of the following:

Type	Fair Value/ Carrying Amount	Average Credit Rating	Maturities		Total
			Less than one year	1-5 years	
Money market funds	\$ 87,080	Not rated	\$ 87,080	\$ -	\$ 87,080
MMDT	124,436	Not applicable	124,436		124,436
Certificates of deposit	3,818,901	FDIC/DIF insured	2,973,755	845,146	3,818,901
US treasury/agency securities	1,162,338	Aaa		1,162,338	1,162,338
Mutual funds – fixed income	458,259	Not rated	430,553	27,706	458,259
Corporate bonds - domestic	518,078	See below		518,078	518,078
Corporate stock - domestic	258,879	Not applicable	-	-	258,879
Total investments					
Governmental activities	<u>\$ 6,427,971</u>		<u>\$ 3,615,824</u>	<u>\$ 2,553,268</u>	<u>\$ 6,427,971</u>

The investments related to the Town's fiduciary activities – OPEB Trust fund and Landfill Post-closure fund are as follows:

**OPEB Trust fund:**

Type	Fair Value/ Carrying Amount	Average Credit Rating	Maturities
			Less than one year
Money market funds	\$ 1,818	Not rated	\$ 1,818
Mutual funds - equities	242,845	Not applicable	242,845
Mutual funds – fixed income	110,173	Not applicable	110,173
Total OPEB trust fund	<u>\$ 354,836</u>		<u>\$ 354,836</u>

# TOWN OF MARION, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### Landfill Post-closure fund:

<u>Type</u>	<u>Fair Value/ Carrying Amount</u>	<u>Average Credit Rating</u>	<u>Maturities</u>			<u>Total</u>
			<u>Less than one year</u>	<u>1-5 years</u>	<u>6-10 years</u>	
Money market funds	\$ 14,460	Not rated	\$ 14,460	\$ -	\$ -	\$ 14,460
US treasury/agency securities	<u>454,079</u>	Aaa	<u>35,253</u>	<u>360,332</u>	<u>58,494</u>	<u>454,079</u>
Total Landfill post-closure fund	<u>\$ 468,539</u>		<u>\$ 49,713</u>	<u>\$ 360,332</u>	<u>\$ 58,494</u>	<u>\$ 468,539</u>

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's investment policy limits unsecured deposits.

*Interest rate risk* is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town's investment policy does not limit the duration of maturity for its special revenue, stabilization and community preservation funds. All other funds investments are limited to maturity durations of one year or less. Any repurchase agreements shall not exceed ninety days.

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in the above table. Equity securities, repurchase agreements and equity mutual funds are not rated as to credit risk. The Town's investment policy provides certain provisions for addressing credit risk.

The credit ratings associated with the corporate bonds reported in the governmental activities of based upon Standard's & Poor's ratings is as follows:

<u>Bond description</u>	<u>Average Credit Rating</u>	<u>Maturities</u>	
		<u>Less than one year</u>	<u>1-5 years</u>
HPQ Co Nt Flt 1.78100%	BBB+	\$ 100,306	\$ -
General Electric Corp 4.37500%	AA+		52,293
General Electric Corp 2.25000%	AA+		51,144
General Electric Corp 2.30000%	AA+		103,286
AT&T Inc Global Note 1.6000%	A-		106,229
Wells Fargo Co 1.50000%	A+	-	104,820
		<u>\$ 100,306</u>	<u>\$ 417,772</u>

*Concentration of credit risk* – With the exception of U.S. Treasury obligations, investments fully collateralized by U.S. Treasury or agencies, and State pools (MMDT), no more than 10% of the Town's investments shall be invested in a single financial institution. With the exception of fully insured certificates of deposit, no single investment maintained by the Town exceeds 5% of the aggregate governmental and fiduciary activities investments.

*Foreign currency risk* is the risk that changes in the exchange rates will adversely affect the fair value of a deposit or investment. Excluding the Town's OPEB Trust fund, the Town's investment policy explicitly forbids investment in any instrument exposed to foreign currency risk.

**TOWN OF MARION, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2014

**Note 5. Receivables**

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet.

The Town includes the following receivables for individual major and non-major governmental funds in the aggregate, including applicable allowances for uncollectible amounts and amounts deferred and unearned:

At June 30, 2014, the receivables for the Town's governmental and business-type activities consist of the following:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Governmental activities:			
Real estate, surcharge and personal property taxes	\$ 615,313	\$ (4,719)	\$ 610,594
Tax liens	217,870		217,870
Motor vehicle and boat excise	105,417	(50,881)	54,536
Intergovernmental:			
MA highway awards	1,204,506		1,204,506
State and federal grants	<u>61,064</u>	<u>-</u>	<u>61,064</u>
Total governmental activities	<u>\$ 2,204,170</u>	<u>\$ (55,600)</u>	<u>\$ 2,148,570</u>

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible -</u>	<u>Net Amount</u>
Business-type activities:			
Water enterprise fund:			
User charges, fees and liens	\$ 373,279	\$	\$ 373,279
Sewer enterprise fund:			
User charges, fees and liens	396,040		396,040
Betterments	5,665,839		5,665,839
MA Clean Water Trust drawdowns and subsidies	<u>385,106</u>	<u>-</u>	<u>385,106</u>
subtotal sewer enterprise fund	<u>6,446,985</u>	<u>-</u>	<u>6,446,985</u>
Total business-type activities	<u>\$ 6,820,264</u>	<u>\$ -</u>	<u>\$ 6,820,264</u>

Governmental activities' intergovernmental receivables include approximately \$1.2 million of Massachusetts Chapter 90 highway awards. This amount represents unexpended balances of allotments for which projects have not yet been submitted. The sewer enterprise fund receivables included \$5.7 million of betterments, a portion of which are being apportioned to users' property tax bills on an annual basis. The sewer enterprise fund also reported aggregate amounts due from the Massachusetts Clean Water Trust for drawdown on project funding and future principal subsidies of approximately \$62,000 and \$323,000 respectively.

**TOWN OF MARION, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2014

**Note 6. Deferred inflows of resources**

The following is a summary of the Town's deferred inflows of resources as of June 30, 2014.

	<b>Balance</b> <b><u>6/30/2014</u></b>
<b>Governmental funds:</b>	
Deferred revenue	
Property taxes, surcharge and personal property	\$ 564,111
Tax liens	217,870
Motor vehicle and boat excise	105,417
Other	8,998
Intergovernmental - MA highway	<u>1,096,392</u>
Total governmental funds	<u>\$ 1,992,788</u>
 <b>Governmental activities:</b>	
Deferred revenue - MA highway	\$ 1,096,392
Unamortized bond premiums	<u>112,064</u>
Total governmental activities	<u>\$ 1,208,456</u>
 <b>Business-type activities:</b>	
Unamortized bond premiums	<u>\$ 384,369</u>

**Note 7. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows. Certain beginning balances beginning balances have been restated from the prior year.

	<b><u>Beginning</u></b> <b><u>Balances</u></b>	<b><u>Additions</u></b>	<b><u>Transfers &amp;</u></b> <b><u>Disposals</u></b>	<b><u>Ending</u></b> <b><u>Balances</u></b>
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 6,086,944	\$ 300,000	\$ -	\$ 6,386,944
Land conservation	2,218,870			2,218,870
Construction in progress	<u>215,887</u>	<u>1,225,001</u>	<u>-</u>	<u>1,440,888</u>
Sub-total	8,521,701	1,525,001		10,046,702
Capital assets being depreciated:				
Land improvements	368,420			368,420
Construction and improvements	21,424,911			21,424,911
Infrastructure	3,717,197			3,717,197
Machinery and equipment	2,009,153	39,232		2,048,385
Licensed vehicles	<u>3,480,991</u>	<u>93,476</u>	<u>-</u>	<u>3,574,467</u>
Sub-total	31,000,672	132,708		31,133,380
Less accumulated depreciation:				
Land improvements	265,645	15,970		281,615
Construction and improvements	7,045,811	512,872		7,558,683
Infrastructure	1,968,764	78,067		2,046,831
Machinery and equipment	1,580,070	73,497		1,653,567
Licensed vehicles	<u>3,131,862</u>	<u>119,708</u>	<u>-</u>	<u>3,251,570</u>
Sub-total	<u>13,992,152</u>	<u>800,114</u>	<u>-</u>	<u>14,792,266</u>
Governmental capital assets, net	<u>\$25,530,221</u>	<u>\$ 857,595</u>	<u>\$ -</u>	<u>\$ 26,387,816</u>

**TOWN OF MARION, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2014

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balances</u>
<b><u>Business-type activities:</u></b>				
<b>Water enterprise:</b>				
Capital assets not being depreciated:				
Land	\$ 202,237	\$ -	\$ -	\$ 202,237
Construction in progress	<u>4,908,949</u>	<u>90,268</u>	-	<u>4,999,217</u>
Sub-total	5,111,186	90,268	-	5,201,454
Capital assets being depreciated:				
Land improvements	137,803			137,803
Construction	4,269,675			4,269,675
Machinery and equipment	350,560			350,560
Licensed vehicles	<u>123,098</u>	<u>39,073</u>	-	<u>162,171</u>
Sub-total	4,881,136	39,073	-	4,920,209
Less accumulated depreciation:				
Land improvements	67,748	4,430		72,178
Construction	1,352,493	91,114		1,443,607
Machinery and equipment	242,598	10,852		253,450
Licensed vehicles	<u>87,506</u>	<u>14,954</u>	-	<u>102,460</u>
Sub-total	<u>1,750,345</u>	<u>121,350</u>	-	<u>1,871,695</u>
Water enterprise capital assets, net	<u>\$ 8,241,977</u>	<u>\$ 7,991</u>	<u>\$ -</u>	<u>\$ 8,249,968</u>
	<u>Beginning Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balances</u>
<b><u>Business-type activities:</u></b>				
<b>Sewer enterprise:</b>				
Capital assets not being depreciated:				
Land	\$ 149,317	\$ -	\$ -	\$ 149,317
Construction in progress	<u>1,469,455</u>	<u>112,349</u>	-	<u>1,581,804</u>
Sub-total	1,618,772	112,349	-	1,731,121
Capital assets being depreciated:				
Land improvements	36,289			36,289
Construction	22,980,859			22,980,859
Machinery and equipment	710,962			710,962
Licensed vehicles	<u>74,637</u>	<u>39,073</u>	-	<u>113,710</u>
Sub-total	23,802,747	39,073	-	23,841,820
Less accumulated depreciation:				
Land improvements	23,808	1,814		25,622
Construction	4,275,856	571,256		4,847,112
Machinery and equipment	323,840	19,151		342,991
Licensed vehicles	<u>33,633</u>	<u>9,463</u>	-	<u>43,096</u>
Sub-total	<u>4,657,137</u>	<u>601,684</u>	-	<u>5,258,821</u>
Sewer enterprise capital assets, net	<u>\$20,764,382</u>	<u>\$ (450,262)</u>	<u>\$ -</u>	<u>\$20,314,120</u>
Total business-type activities', capital assets, net	<u>\$29,006,359</u>	<u>\$ (442,271)</u>	<u>\$ -</u>	<u>\$28,564,088</u>

**TOWN OF MARION, MASSACHUSETTS**

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

Governmental activities:		
General government	\$	5,015
Public safety		188,862
Education		376,555
Public works		168,307
Health and human services		16,852
Culture and recreation		<u>44,523</u>
Total depreciation expense – governmental activities	\$	<u>800,114</u>
Business-type activities:		
Water	\$	121,350
Sewer		<u>601,684</u>
Total depreciation expense – business-type activities	\$	<u>723,034</u>

**Note 8. Interfund Balances and Activity**

The General fund was due \$25,559 from other governmental funds for deficit balances at June 30, 2014. The General fund was also due \$12,335 from agency fund for police details.

Interfund transfers for the fiscal year ended June 30, 2014, consisted of the following:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Fiduciary Fund OPEB Trust Fund</u>
Wetland protection fees fund- fund administrative services	\$ 4,500	\$ (4,500)	\$
Dog fund- fund animal control	3,500	(3,500)	
State aid to library fund - fund library	3,500	(3,500)	
Close kindergarten grant	4,327	(4,327)	
Transfer to police grant	(4,964)	4,964	
Chester Vose fund - reduction of taxes	3,000	(3,000)	
Waterways fund - fund marine resources and other	400,000	(400,000)	
Transfer to OPEB liability trust fund	<u>(125,000)</u>	<u>-</u>	<u>125,000</u>
Net transfers	<u>\$ 288,863</u>	<u>\$ (413,863)</u>	<u>\$ 125,000</u>

During fiscal year 2014, the Town transferred \$100,000 into the stabilization fund. The stabilization fund is maintained in the general fund for financial statement reporting.

**Note 9. Long-term Obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2014 for the Town's governmental activities. As noted in Note 16, the septic program activities have been reclassified to the sewer enterprise fund; accordingly; beginning balances of debt related to the septic program activity have also been reclassified.

**TOWN OF MARION, MASSACHUSETTS**  
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Purpose	(restated) Balance July 1, 2013	Additions	Reductions	Balance June 30, 2013	Current Portion
Governmental activities:					
Refunding issue, dated 6/30/2013, 2.00% matures 7/15/2024	\$ 2,359,000	\$ -	\$ -	\$ 2,359,000	\$ 257,300
School building construction, dated 7/15/2005, 3.25%-5.00%, matures 7/15/2024 (refunded 6/30/13)	217,000		217,000		
Departmental equipment-harbor patrol boat, dated 7/15/2005, 3.25%-5.00%, matures 7/15/2014 (refunded 6/30/13)	18,000		18,000		
Outdoor recreational facility-harbor infrastructure, dated 7/15/2005, 3.25%-5.00%, matures 7/15/2015 (refunded 6/30/13)	3,000		3,000		
Police station, dated 12/1/2010, 2.00%-4.00%, matures 12/1/2030	<u>3,308,000</u>	-	<u>206,000</u>	<u>3,102,000</u>	<u>206,000</u>
Total governmental activities bonds	5,905,000		444,000	5,461,000	463,300
Estimated landfill post-closure monitoring costs	435,000		15,000	420,000	15,000
Compensated absences, net	497,000		2,900	494,100	
Net Other Post-Employment (OPEB) obligation	<u>3,351,210</u>	<u>1,054,367</u>	<u>314,087</u>	<u>4,091,490</u>	-
Total governmental activities non-current liabilities	<u>\$ 10,188,210</u>	<u>\$ 1,054,367</u>	<u>\$ 775,987</u>	<u>\$ 10,466,590</u>	<u>\$ 478,300</u>

The following is a summary of changes in long-term obligations for the year ended June 30, 2014 for the Town's business-type activity – water enterprise fund:

Purpose	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
<u>Water enterprise fund:</u>					
Refunding issue, dated 6/30/2013, 2.0% matures 7/15/2025	\$ 1,429,300	\$ -	\$ -	\$ 1,429,300	\$ 186,200
Water systems improvements, dated 7/15/2005, 3.25%-5.00%, matures 7/15/2014 (refunded 6/30/2013)	3,000		3,000		
Water systems improvements, dated 7/15/2005, 3.25%-5.00%, matures 7/15/2014	10,000		10,000		
Water tank repairs, dated 7/15/2005, 3.25%- 5.00%, matures 7/15/2014 (refunded 6/30/2013)	55,000		55,000		
Water storage tanks, dated 7/15/2005, 3.25%- 5.00%, matures 7/15/2025 (refunded 6/30/2013)	114,000		114,000		
Water-land acquisition, dated 7/15/2005, 3.25%- 5.00%, matures 7/15/2015 (refunded 6/30/13)	4,000		4,000		
Water tanks, dated 12/01/2010, 2.00%-4.00%, matures 12/01/2030	420,000		26,000	394,000	26,000
Water mains, dated 12/1/2010, 2.00%-4.00%, matures 12/01/2030	2,271,000		129,000	2,142,000	126,000
Water mains, dated 12/01/2010, 2.00%-4.00%, matures 12/01/2030	<u>3,184,000</u>	-	<u>177,000</u>	<u>3,007,000</u>	<u>177,000</u>
Total bonds payable	7,490,300		518,000	6,972,300	515,200
Compensated absences, net	21,000		400	20,600	
Net Other Post-Employment (OPEB) obligation	<u>93,876</u>	<u>26,939</u>	<u>430</u>	<u>120,385</u>	-
Total water enterprise fund	<u>\$ 7,605,176</u>	<u>\$ 26,939</u>	<u>\$ 518,830</u>	<u>\$ 7,113,285</u>	<u>\$ 515,200</u>

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The following is a summary of changes in long-term obligations for the year ended June 30, 2014 for the Town's business-type activity – sewer enterprise fund. Certain beginning balances have been reclassified to correspond with reclassification of beginning balances.

Purpose	(restated)			Balance June 30, 2014	Current Portion
	Balance July 1, 2013	Additions	Reductions		
<u>Sewer enterprise fund:</u>					
Sewer treatment facility-design, dated 2/1/2003, 2.25%- 4.00%, matures 2/01/2017	\$ 256,000	\$	\$ 64,000	\$ 192,000	\$ 64,000
Sewer mains, dated 2/01/2003, 2.25%-4.00%, matures 2/01/2017	80,000		20,000	60,000	20,000
Sewer-engineering services, dated 2/1/2003, 2.25%-4.00%, matures 2/01/2017	47,000		12,000	35,000	12,000
Sewer- plans, dated 2/1/2003, 2.25%-4.00%, matures 2/01/2017	37,000		10,000	27,000	10,000
Sewage treatment facility, dated 2/1/2003, 2.25%- 4.00%, matures 2/01/2017	55,000		14,000	41,000	14,000
Sewage treatment facility, dated 7/15/2005, 3.25%- 5.00%, matures 7/15/2024 (refunded 6/30/2013)	5,000		5,000		
Sewer mains, dated 7/15/2005, 3.25%-5.00%, matures 7/15/2025 (refunded 6/30/2013)	2,000		2,000		
MWPAT, Clean Water bonds, dated 10/16/2005, matures 7/15/2035	6,804,789		226,880	6,577,909	232,175
MWPAT, Clean Water bonds, subsidized, refunded 5/2007, 2.70%, matures 8/01/2033	7,858,282		253,282	7,605,000	265,000
MWPAT, Clean Water bonds, subsidized, refunded 5/2077, 2.70%, matures 8/01/2034	1,250,297		36,903	1,213,394	38,394
MWPAT, General Obligation Replacement bond, dated 3/18/2011, 2.42%, matures 7/15/2035	372,280		37,852	334,428	11,519
MWPAT, Clean Water bonds, dated 7/8/2010, 2.00%, matures 7/15/2030	725,139		33,870	691,270	34,545
MWPAT, Clean Water bonds, swap out 7/8/2012, 2.00%, matures 7/15/2032	105,123		4,234	100,888	4,409
Septic system betterment, dated 7/15/2005, 3.25%- 5.00%, matures 7/15/2015 (refunded)	4,000		4,000		
Septic system betterment, dated 12/1/2010, 2.00%-4.00%, matures 12/1/2020	42,000		7,000	35,000	5,000
Refunding issue, dated 6/30/2013, 2.0% matures 7/15/2024	71,700	-	-	71,700	11,500
Total bonds payable	17,715,610		731,021	16,984,589	722,542
Compensated absences, net	4,000	700		4,700	
Net Other Post-Employment (OPEB) obligation	51,792	17,645	-	69,437	-
Total sewer enterprise fund	<u>\$ 17,772,402</u>	<u>\$ 18,345</u>	<u>\$ 731,021</u>	<u>\$ 17,058,726</u>	<u>\$ 722,542</u>

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Long-term debt

MWPAT bonds

The outstanding Massachusetts Water Pollution Abatement Trust (MWPAT) subsidized, bonds are recorded at the gross amount outstanding. Pursuant to the arrangement with the MWPAT, certain principal payments are subsidized by the MWPAT in future periods. Additionally, it is anticipated the Town will receive a subsidy for a portion of the interest of the debt service via contract payments to MWPAT (and MWPAT available earnings). The subsidy for interest is recorded as revenue and expenses in the accompanying financial statements. During fiscal year 2014, the Town received an interest subsidy of approximately \$150,000. See also temporary debt Note 10.

Future debt service

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2014, including interest, are as follows:

Governmental activities:

<u>Year</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 463,300	\$ 155,117	\$ 618,417
2016	440,700	142,217	582,917
2017	429,500	129,465	558,965
2018	426,900	116,821	543,721
2019	419,300	104,279	523,579
2020-2024	2,036,700	359,409	2,396,109
2025-2029	1,204,600	110,189	1,314,789
2030-2034	40,000	800	40,800
Total	<u>\$ 5,461,000</u>	<u>\$ 1,118,297</u>	<u>\$ 6,579,297</u>

Business-type activities:

<u>Year</u>	<u>Business-type Activities</u>					
	<u>Principal</u>	<u>Water Fund Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Sewer Fund Interest</u>	<u>Total</u>
2015	\$ 515,200	\$ 227,194	\$ 742,394	\$ 722,542	\$ 438,291	\$ 1,160,833
2016	453,900	210,953	664,853	739,542	414,105	1,153,647
2017	449,100	179,923	629,023	747,184	391,331	1,138,515
2018	446,900	179,923	626,823	653,780	369,521	1,023,301
2019	444,600	164,488	609,088	670,631	354,158	1,024,789
2020-2024	2,181,600	629,557	2,811,157	3,634,364	1,426,529	5,060,893
2025-2029	1,831,000	294,361	2,125,361	4,201,518	724,821	4,926,339
2030-2034	650,000	26,000	676,000	4,751,195	258,908	5,010,103
2035-2038	-	-	-	863,833	17,523	881,356
	<u>\$ 6,972,300</u>	<u>\$ 1,912,399</u>	<u>\$ 8,884,699</u>	<u>\$ 16,984,589</u>	<u>\$ 4,395,187</u>	<u>\$ 21,379,776</u>

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The Town is subject to a dual level general debt limit—the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Department of Revenue. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations. The Town considers issuances of temporary debt as reductions in debt authorizations for reporting purposes.

Unissued debt authorizations consist of the following at June 30, 2014:

<u>Purpose</u>	<u>Year</u> <u>Authorized</u>	<u>Amount</u> <u>Unissued</u>
Governmental activities:		
Septic system repair program	2000	\$ 14,525
Business-type activities:		
Wastewater treatment	2002	1,817,382
Wastewater collection system	2002	166,600
Sewer main extension	2002	205,913
Great Hill water tower	2014	<u>1,500,000</u>
Total		<u>\$ 3,704,420</u>

Lease obligations

*A. Operating leases*

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payments for non-cancelable operating leases are immaterial as of June 30, 2014.

*B. Capital leases*

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not exceed five years and subject to annual appropriation. The Town does not have any material capital lease obligations outstanding during the year.

**Note 10. Temporary Borrowings**

Under state law and by authorization of the Board of Selectmen and Town Meeting, the Town is authorized to issue general obligation indebtedness for purposes and terms permitted by Massachusetts statute. Generally, when debt has been authorized, the Town may issue temporary (short-term) debt in anticipation of revenues, grants or issuance of serial bonds or serial notes (long term debt). Temporary debt obligations include the following:

- Current operating costs prior to the collection of revenues through issuance of tax or revenue anticipation notes (TANs and RANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),

**TOWN OF MARION, MASSACHUSETTS**  
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- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures and issuance costs for temporary borrowings are accounted for in the appropriate fund.

Changes in the Town's temporary debt for the year ended June 30, 2014 are as follows:

Purpose	Balance			Balance
	July 1, 2013	Additions	Reductions	June 30, 2014
Governmental activities:				
Massachusetts Clean Water Trust, interim loan, CW-13-07, amounts drawn	\$ -	\$ 769,887	\$ -	\$ 769,887
Total temporary debt - governmental activities	<u>\$ -</u>	<u>\$ 769,887</u>	<u>\$ -</u>	<u>\$ 769,887</u>
Business-type activities:				
Bond anticipation note-sewer extension, dated 4/26/2013, .60%, due 4/26/2014	\$ 260,000	\$ -	\$ 260,000	\$ -
Bond anticipation note-sewer extension, dated 4/25/2014, .60%, due 4/25/2015		260,000		260,000
Bond anticipation note-septic program dated 4/26/2013, .75%, due 4/26/2014	50,000		50,000	
Bond anticipation note-septic program dated 4/25/2015, 1.00%, due 4/24/2015	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total temporary debt - business-type activities	<u>\$ 310,000</u>	<u>\$ 310,000</u>	<u>\$ 310,000</u>	<u>\$ 310,000</u>

On April 24, 2015, the Town issued bond anticipation notes in the amount of \$1,797,222, related to septic remediation program in the amount of \$250,000, sewer extension project in the amount of \$47,222, and water tank project in the amount of \$1,500,000.

The Town has an interim loan agreement (CW-13-07), in the amount of \$3,147,400, with the Massachusetts Clean Water Trust (Trust) for ongoing infrastructure projects. Interim loan proceeds are received by the Town after submission and approval by the Trust of associated costs. Accordingly, during fiscal year 2014, the Town received reimbursement on this interim loan totaling \$769,887. As of the date of these financial statements, the Town was reimbursed an additional \$1.4 million. The Town records the obligation as a long term obligation once the Trust has permanently financed the obligation. This was performed in January 2015.

**Note 11. Notes Payable - ARRA**

On July 8, 2010, the Town and the Massachusetts Clean Water Trust (Trust) entered permanent financing agreements for projects related to its sewer mains extension capital projects, which retired a portion of a previously issued interim note. This note was subject to grant funding received under the American Recovery and Reinvestment Act of 2009 (ARRA). Accordingly, this project is subject to special ARRA conditions and requirements for the duration of the project. Upon completion and issuance of approved project completion certificates, the Trust may forgive the remaining balance on the interim note. The aggregate balance remaining of \$119,550 related to the ARRA portion of this note has been separately reported from other notes payable of the Town in these financial statements.

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**Note 12. Employee Benefits**

**A. Retirement Benefits**

**Plan Description**

The Town contributes for eligible employees, other than teachers, to the Plymouth County Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Association. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Teachers are covered by the Commonwealth of Massachusetts, Teachers Retirement System (TRS), to which the Town does not contribute. The System is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. Oversight is provided by a five member board. The System issues a publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to Plymouth County Retirement System, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

**Funding Policy**

Plan members are required to contribute 5-11% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The Town's current year required contribution (gross) is \$748,782, which is equal to its required contribution, and represents approximately 1.362% of the System wide employer assessments. The System offered a 2% discount to member Towns if the entire fiscal year assessment was paid by July 1<sup>st</sup>. The Town's discount was \$14,549 for a net payment of \$734,233. The contribution requirements of plan members and the Town are established and may be amended by M.G.L. The Town's required contributions (gross) to the System for the years ending June 30, 2013 and 2012 were \$718,861 and \$616,098, respectively.

As noted above, the Town does not contribute to TRS. Contributions to the TRS are made by the Commonwealth of Massachusetts on behalf of the Town. Accounting Principles Generally Accepted in the United States require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, \$856,339 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town are included in the accompanying Statement of Activities as employee benefits operating contributions and expenses as well as in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance as general fund intergovernmental revenue and employee benefit expenditures. These on-behalf payments are not part of the local budget and are therefore not included in the accompanying budgetary basis statements.

**B. Compensated Absences**

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated vacation and unused sick leave, which is due to certain employees upon termination of employment has been recorded as a liability in the accompanying Statement of Net Position.

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**C. Other Post Employment Benefits**

Plan Description

The Town administers a single employer defined benefit plan which provides health, dental and life insurance to substantially all retired employees and their spouses (plan members). Eligibility to retire under the Town's plan is based upon meeting one of the following conditions:

- i. Completion of 20 years of service.
- ii. For an employee hired prior to January 1, 1978 – attainment of age 55 as an active member.
- iii. For an employee hired on or after January 1, 1978 – attainment of age 55 as an active member and completion of 10 years of service.

The Plan covered approximately 189 participants. Benefits were paid to approximately 58 retired participants, spouses and beneficiaries during the fiscal year ended June 30, 2014 on the "pay as you go" basis. These benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances.

Funding Policy

The contribution rates of retirees are established by collective-bargaining agreements, Massachusetts General Law, and Town ordinances. The required contribution is based on pay as you go financing requirements. All benefits are provided through a third-party joint purchasing group that administers, assumes, and pays all claims. The Town contributes at least 50% of the medical and life insurance premiums with the remainder funded through pension benefit deductions.

The Town has accepted provisions of MGL Chapter 32B, Section 20 which allow for the Town to establish a separate OPEB liability trust fund. Currently, the Town's share of premiums are appropriated and paid from the General fund on an annual basis. Accordingly, the net obligation associated with providing these benefits to plan participants is recorded in the governmental activities. At June 30, 2014, the Town maintained \$354,836 in the OPEB Trust fund. This amount was not taken into account as of the last valuation date. Copies of the latest valuation with additional details, may be obtained by contacting the Town directly.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation. For the latest valuation, the Town segregated governmental and business-type activities.

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	<u>Governmental Activities</u>	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Enterprise Fund Total</u>	<u>Total Town</u>
Annual OPEB cost	\$ 1,054,367	\$ 26,939	\$ 17,645	\$ 44,584	\$ 1,098,951
Contributions made	<u>(314,087)</u>	<u>(430)</u>	<u>-</u>	<u>(430)</u>	<u>(314,517)</u>
Change in net OPEB obligation	740,280	26,509	17,645	44,154	784,434
Net OPEB obligation - beginning of year	<u>3,351,210</u>	<u>93,876</u>	<u>51,792</u>	<u>145,668</u>	<u>3,496,878</u>
Net OPEB obligation - end of year	<u>\$ 4,091,490</u>	<u>\$ 120,385</u>	<u>\$ 69,437</u>	<u>\$ 189,822</u>	<u>\$ 4,281,312</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation required for fiscal year 2014 and the previous two years were as follows. It should be noted that the previous valuation for which the obligations for June 30, 2011 were reported, the Town had not separately reported business-type activities. The most recent valuation, dated July 1, 2011, segregated governmental and business-type activities.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<b>Governmental Activities:</b>			
6/30/2014	\$ 1,054,367	29.79%	\$ 4,091,490
6/30/2013	999,400	28.98%	3,351,210
6/30/2012	874,125	33.41%	2,641,458
<b>Business-type Activities:</b>			
6/30/2014	\$ 44,584	0.96%	\$ 189,822
6/30/2013	42,260	0.94%	145,668
6/30/2012	37,353	0.99%	103,805

Funding Status and Schedule of Funding Progress

The unfunded actuarial liability was determined using the level dollar thirty year amortization basis.

<u>Actuarial Valuation Date</u>	<u>Schedule of Funding Progress</u>					
	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAAL) (b) - (a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)</u>
7/1/2011	\$ 25,388	\$ 9,339,009	\$ 9,313,621	0.3%	\$ 6,607,273	141.0%
7/1/2008	\$ -	\$ 7,719,764	\$ 7,719,764	0.0%	\$ 5,499,872	140.4%

**TOWN OF MARION, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2014

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 in the required supplementary information following 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 the 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 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 following assumptions and methods were utilized:

- Actuarial Cost Method: Projected Unit Credit
- Investment Rate of Return: 4.00% per annum
- General Inflation Assumption: 3.5% per annum
- Compensation increases: 3.00% per annum
- Healthcare Trend Rates:

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2010	9.0%	7.5%
FY 2011	8.0%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

- Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
- Remaining Amortization Period: 27 years at July 1, 2011

**Note 13. Landfill Closure and Post-closure care costs**

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter.

**TOWN OF MARION, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2014

In 2005, as required by the Massachusetts Department of Environmental Protection (DEP), as a component of the Town's Landfill Closure Plan, the Town entered a "Standby Trust Agreement" with Rockland Trust Company (the Trustee), which provides for financial assurances that funds are available as may be needed for corrective action, closure and/or post-closure maintenance of the landfill. The beneficiary of the trust is the DEP.

The Town entered an agreement with End Cap Technology, LLC to cap and close the Town's sanitary landfill pursuant to the Landfill Closure Plan and the provisions of the Standby Trust Agreement. Pursuant to these agreements, the Town maintains these funds in a restricted fund which has been reported as a trust fund. In fiscal year 2013, the Town received final certification on the closure phase and is currently in the monitoring phase. Any costs to be paid from these restricted funds must be approved by DEP. At June 30, 2014, the Town estimates future costs associated with monitoring requirements to be approximately \$420,000. This estimate has been recorded in the government-wide financial statements as of June 30, 2014. This estimate is based upon current information and has the potential to change in future periods due to factors including, but not limited to: inflation, deflation, technology, applicable laws and regulations.

**Note 14. Risk Management**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. The Town carries commercial insurance for all risk except for health insurance. The Town belongs to the Gateway Municipal Health Group (Group), a joint purchasing group established under MGL Chapter 32B, section 12 for health insurance. The Town pays annual premiums to the Group for employees and retirees. The Town paid premiums to the Group of approximately \$966,000 for the year ended June 30, 2014. Additional information related to the Group can be obtained by contacting the Town Treasurer, or the Group directly.

**Note 15. Commitments and Contingencies**

The Town is named as a defendant in several lawsuits at June 30, 2014. These legal actions are ongoing, and at this point in time in the opinion of the administration no outcome can reasonably be foreseen. Accordingly, no provision for any loss relating to these lawsuits has been recorded in the financial statements.

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

The Town currently is in the process of various roadway and sewer infrastructure projects, and has several ongoing related contracts with engineers and contractors related thereto.

**TOWN OF MARION, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**Note 16. Restatement of certain beginning balances**

The following restatement of beginning fund balance have been presented to correspond with current year presentations. The Town reclassified septic program activities to the sewer enterprise fund which accounts for the associated betterments.

	Other Governmental <u>Fund</u>	Sewer <u>Fund</u>
Balance, June 30, 2013	\$ 3,220,794	\$ 11,233,659
reclassification of septic fund	<u>43,200</u>	<u>(43,200)</u>
Balance, July 1, 2013, restated	<u>\$ 3,263,994</u>	<u>\$ 11,190,459</u>

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Balance, June 30, 2013	\$ 24,913,313	\$ 15,826,950
reclassification of septic fund	<u>43,200</u>	<u>(43,200)</u>
Balance, July 1, 2013, restated	<u>\$ 24,956,513</u>	<u>\$ 15,783,750</u>

**Note 17. GASB Pronouncements**

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which are applicable to the Town's financial statements.

**Current pronouncements**

The GASB issued Statement #66, Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62, which was required to be implemented in fiscal year 2014. The pronouncement resolves conflicting guidance from issued pronouncement No. 54, regarding fund based reporting of risk financing activities. Also it amends No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) purchase of a loan or a group of loans, and (3) service fees. This pronouncement had no impact on the Town's financial statements.

The GASB issued Statement #69, Government Combinations and Disposals of Government Operations, which was required to be implemented in fiscal year 2014. The pronouncement addresses accounting and financial reporting issues associated with a variety of transactions, such as mergers, acquisitions, disposals and transfer of governmental operations. The pronouncement had no effect upon the Town's financial statements.

The GASB issued Statement #70, Accounting and Financial Reporting for Non-exchange Financial Guarantees, which was required to be implemented in fiscal year 2014. The pronouncement addresses accounting and financial reporting for financial guarantees extended by a government for the obligations of another government, not-for-profit, or private entity without directly receiving equal or approximately equal value in exchange for the guarantee. The pronouncement had no effect upon the Town's financial statements.

**TOWN OF MARION, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**Future pronouncements**

The GASB issued Statement #68, *Accounting and Financial Reporting for Pension*, which is required to be implemented in fiscal year 2015. The pronouncement requires governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. It also enhances accountability and transparency through revised and additional note disclosures and required supplementary information. The pronouncement will have a material effect upon the Town's financial statements.

The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- An Amendment of GASB Statement No. 68*, which is required to be implemented in fiscal year 2015. The pronouncement addresses application of the transition provisions of Statement No. 68, associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Town will evaluate the effect of the pronouncement with the implementation of Statement No. 68.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF MARION, MASSACHUSETTS**  
 Required Supplementary Information  
 Schedule of Funding Progress – Other Post Employment Benefits (OPEB)  
 June 30, 2014

**Funding Status and Schedule of Funding Progress**

The 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 liabilities for benefits. The unfunded actuarial accrued liability was determined using the level dollar thirty year amortization basis.

The Town was required to implement the provisions of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, for the year ended June 30, 2009. Accordingly, valuations were required only for the preceding period dated July 1, 2008.

<b>Schedule of Funding Progress</b>							<b>UAAL as a</b>
	<b>Actuarial</b>	<b>Actuarial</b>	<b>Actuarial</b>	<b>Unfunded</b>	<b>Funded</b>	<b>Covered</b>	<b>Percentage</b>
	<b>Valuation</b>	<b>Value of</b>	<b>Accrued</b>	<b>AAL</b>	<b>Ratio</b>	<b>Payroll</b>	<b>of Covered</b>
	<b>Date</b>	<b>Assets</b>	<b>Liability</b>	<b>(UAAL)</b>	<b>(a)/(b)</b>	<b>(c)</b>	<b>Payroll</b>
		<b>(a)</b>	<b>(b)</b>	<b>(b)-(a)</b>			<b>[(b)-(a)]/(c)</b>
<b>Total Town</b>							
<b>Activities:</b>							
	7/1/2011	\$ 25,388	\$ 9,339,009	\$ 9,313,621	0.3%	\$ 6,607,273	141.0%
	7/1/2008	\$ -	\$ 7,719,764	\$ 7,719,764	0.0%	\$ 5,499,872	140.4%

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.

**Actuarial Methods and Assumptions**

Projections of the 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 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 valuation reflected a closed group, and does not reflect any new entrants after the valuation date of July 1, 2011. The valuation assumed retiree contributions increased with the same trend rate as health care claims.

Significant actuarial assumptions used in the valuation are as follows:

Actuarial Cost Method: Projected Unit Credit

Pre- and Post-Retirement Mortality: Represented by the RP-2000 Mortality Tables

Investment Rate of Return: 4.0% per annum

**TOWN OF MARION, MASSACHUSETTS**  
Required Supplementary Information  
Schedule of Funding Progress – Other Post Employment Benefits (OPEB)  
June 30, 2014

Healthcare Trend Rates:

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2010	9.0%	7.5%
FY 2011	8.0%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

General Inflation Assumption: 3.5% per annum

Compensation Increases: 3.0% per annum

Participation Rate: It is assumed that 80% of eligible employees at retirement would enroll in medical, dental and life insurance plans.

Percent Married: It is assumed 80% of the participants who elect healthcare coverage for themselves would also elect for their spouse. It was also assumed husbands are three years older than their wives.

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortized as level dollar amount over 30 years at transition

Remaining Amortization Period: 27 years at July 1, 2011

**TOWN OF MARION, MASSACHUSETTS**  
 Budgetary Comparison Schedule - General Fund  
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes and liens	\$ 15,911,205	\$ 15,911,205	\$ 15,786,914	\$ (124,291)
Excise taxes	610,000	610,000	763,274	153,274
Penalties and interest	30,000	30,000	104,106	74,106
Investment interest	18,500	18,500	24,181	5,681
Departmental and other	791,500	791,500	719,986	(71,514)
Intergovernmental	<u>712,549</u>	<u>712,549</u>	<u>944,800</u>	<u>232,251</u>
Total revenues	18,073,754	18,073,754	18,343,261	269,507
<b>Expenditures</b>				
General government	2,366,570	2,030,577	1,850,644	179,933
Public Safety	2,817,575	2,737,759	2,651,319	86,440
Education	10,182,881	9,688,631	9,535,452	153,179
Public works	1,320,941	1,335,996	1,278,730	57,266
Human services	214,321	214,411	204,340	10,071
Culture and recreation	288,480	288,480	298,600	(10,120)
Employee benefits and other insurances	2,732,388	2,731,123	2,304,666	426,457
State and county assessments	77,926	77,926	79,561	(1,635)
<b>Debt Service:</b>				
Principal	455,000	455,000	444,000	11,000
Interest and other charges	<u>234,787</u>	<u>234,787</u>	<u>201,625</u>	<u>33,162</u>
Total expenditures	<u>20,690,869</u>	<u>19,794,690</u>	<u>18,848,937</u>	<u>945,753</u>
Revenues over (under) expenditures	(2,617,115)	(1,720,936)	(505,676)	1,215,260
<b>Other financing sources (uses)</b>				
Transfers in from other funds	963,398	963,398	967,725	4,327
Transfers out to other funds	<u>(225,000)</u>	<u>(225,000)</u>	<u>(229,964)</u>	<u>4,964</u>
Total other financing sources and (uses)	<u>738,398</u>	<u>738,398</u>	<u>737,761</u>	<u>9,291</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,878,717)	(982,538)	232,085	<u>\$ 1,224,551</u>
Fund balance, beginning of year			<u>3,983,828</u>	
Fund balance, end of year			<u>\$ 4,215,913</u>	
<b>Other budget items</b>				
Use of available funds	1,355,797	1,407,122		
Carryover encumbrances and articles	<u>522,920</u>	<u>(424,584)</u>		
Total other budget items	<u>1,878,717</u>	<u>982,538</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See accompanying notes to budgetary comparison schedule.

**TOWN OF MARION, MASSACHUSETTS**  
Notes to Required Supplementary Information  
June 30, 2014

**A. Budgetary basis of accounting**

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted. Activity of the Town's Community Preservation, and Stabilization funds are authorized at Town Meetings. The Town does not have legally adopted annual budgets for its other special revenue funds. All regional school district budgets are prepared under the direction of the respective school committee. All assessments must be approved at Town Meeting. Capital project funds' activity is also conducted in accordance with authorization of town meetings. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies. Enterprise funds budgets are not required supplementary information.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). In accordance with GAAP, enterprise fund budgets are not presented. The Town is required to present budgetary information for the General fund. The "actual" results column of the Budgetary Comparison Schedule is presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2014, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing Sources (Uses), Net -</u>
As reported on a budgetary basis	\$ 18,343,261	\$ 18,848,937	\$ 737,761
Adjustment of property tax revenues to modified accrual basis	71,479		
Adjustment for stabilization and land acquisition funds	44,419	1,040	100,000
Adjustment for reduction of provision for refund of paid taxes	10,622		
Encumbered school salaries and expenses		327,923	
Adjustment for indirect costs transferred from water and sewer funds		( 548,898)	( 548,898)
State funded teacher's pension	856,339	856,339	-
As reported on a GAAP basis	<u>\$19,326,120</u>	<u>\$ 19,485,341</u>	<u>\$ 288,863</u>